STATE OF ALASKA

DEPARTMENT OF REVENUE
Income and Excise Audit Division

Fiscal Year 1996
ANNUAL REPORT

On the internet at:
www.tax.state.ak.us

Tony Knowles
Governor

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Commissioner

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Executive Summary

FY 96 in Retrospect

FY 96 was a banner year for General Fund non-severance tax collections. Collections totaled approximately $357 million, an 8% increase over FY 95. The increase was primarily attributable to large estimated corporation income tax payments paid by oil and gas corporations during the fiscal year.

Income and Excise Audit Division (IEAD) processed 21,886 tax returns and licensed 1,245 businesses during the fiscal year. IEAD continued efforts to enhance revenue, through increased focus on audit and compliance programs, and to identify efficiencies to streamline its operations. Where possible, IEAD took measures to utilize new technology in bringing efficiencies to tax programs.

Although only one tax bill (amendments to fishery resource landing tax) was passed by the 1996 legislature, several pieces of excise tax legislation were introduced during the 1996 session. The bills ranged from a tripling to smaller increases of excise tax rates for motor fuel, alcohol and tobacco taxes. None of the excise tax legislation passed, but a bill to increase the cigarette tax rate by $1 per pack gained the most momentum by passing the Senate during the regular session.

Highlights for FY 96:

→ ***Banner Corporation Tax Collections*** - General Fund corporation tax collections climbed over the $200 million mark for the first time since FY 84. FY 96 corporation tax collections ($227 million) were up 16% over FY 95 ($196 million) because of large estimated tax payments paid by oil and gas corporations. Even though collections were at a record level, a small percentage of taxpayers, less than 1%, made up 92% of the collections.

→ ***Oil and Gas Settlements Exceed $100 million*** - Total collections from settlements of prior year oil and gas corporation tax assessments were $103.3 million. All settlement amounts were deposited into the state's Constitutional Budget Reserve Fund.

→ ***Motor Fuel Collections Decrease*** - Despite an overall increase in motor fuel sales, motor fuel tax collections continued to decrease because of a dramatic expansion in sales of gasohol. Gasohol is fully exempt from motor fuel tax. Because of the gasohol exemption, motor fuel slipped behind fisheries business in total tax collections. Gasohol sales more than doubled over FY 95, from 35.4 million to 84.4 million gallons. The FY 96 revenue loss from the gasohol exemption was $6.7 million and is expected to reach $8 million in FY 97.

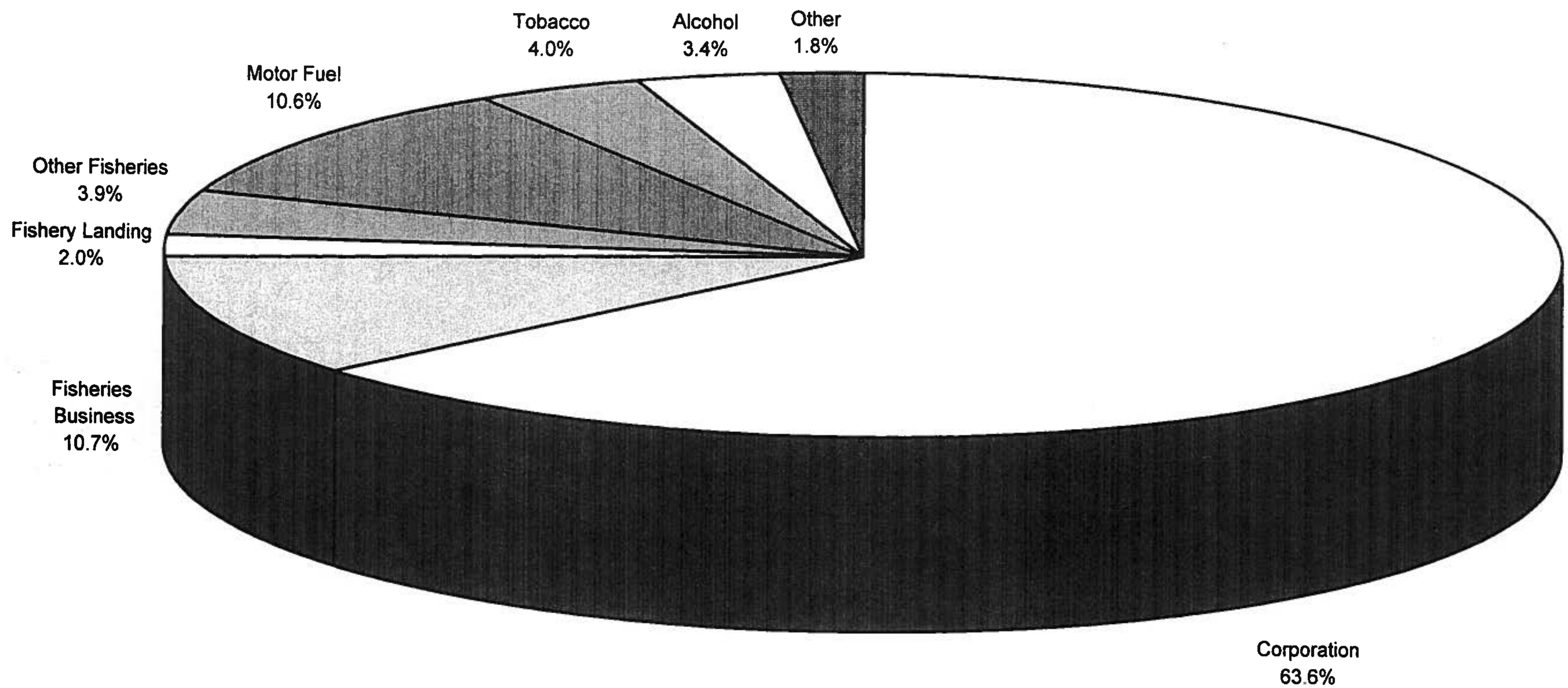
→ ***Fisheries Businesses Meet Tax Obligations*** - With reports of financial hardships in the fishing industry, IEAD worked with fisheries businesses on paying their calendar year 1995 fisheries business tax liabilities so that they could be operate for the 1996 fishing season. As a result, IEAD successfully collected $1.5 million in delinquent fisheries business taxes.

→ ***Motor Fuel Enhancement Project Initiated*** - IEAD initiated this project to increase compliance and monitoring of fuel activity in Alaska. The project includes motor fuel forms revisions to meet national uniformity standards and implementation of new technology for filing and processing motor fuel tax returns.

Table 1 - Three Year Comparison of Revenue Collections

Fund Source	FY 96	% Fund Total	FY 95	% Fund Total	FY 94	% Fund Total
General Fund						
Corporation	$227,056,475	63.6%	$195,616,185	59.3%	$ 61,756,687	33.9%
Fisheries Business	38,241,228	10.7%	39,034,046	11.8%	33,928,444	18.6%
Motor Fuel	37,740,055	10.6%	39,600,805	12.0%	40,506,773	22.2%
Tobacco	14,157,919	4.0%	14,396,966	4.4%	14,133,113	7.7%
Alcoholic Beverages	11,985,466	3.4%	11,969,183	3.6%	11,955,614	6.6%
Fishery Resource Landing	7,137,876	2.0%	6,684,158	2.0%	102,424	0.1%
Salmon Enhancement	5,235,938	1.5%	5,689,520	1.7%	4,954,215	2.7%
Salmon Marketing	4,804,416	1.3%	4,710,610	1.4%	3,018,943	1.7%
Seafood Marketing - Fisheries Business	3,211,828	0.9%	3,242,042	1.0%	2,725,225	1.5%
APUC Regulatory Cost Charges	1,868,258	0.5%	4,325,211	1.3%	4,270,723	2.3%
Estate	1,658,011	0.5%	1,157,793	0.4%	1,616,313	0.9%
Electric Cooperative	1,377,992	0.4%	1,336,034	0.4%	1,283,820	0.7%
Telephone Cooperative	1,163,366	0.3%	1,064,816	0.3%	1,325,368	0.7%
Seafood Marketing - Landing	565,879	0.2%	617,838	0.2%	N/A	N/A
Mining License	480,842	0.1%	343,259	0.1%	161,894	0.1%
Coin-Operated Devices	89,230	0.0%	102,061	0.0%	95,505	0.1%
Individual Income	5,457	0.0%	7,169	0.0%	16,000	0.0%
Alaska Business License	0	0.0%	0	0.0%	573,629	0.3%
Total General Fund	**356,780,236**	**100.0%**	**329,897,696**	**100.0%**	**182,424,690**	**100.0%**
Constitutional Budget Reserve Fund (CBRF)						
Corporation	103,269,899	100.0%	304,209,414	100.0%	32,048,325	100.0%
Mining License	32,372	0.0%	138,648	0.0%	7,491	0.0%
Total CBRF	**103,302,271**	**100.0%**	**304,348,062**	**100.0%**	**32,055,816**	**100.0%**
School Fund						
Tobacco	2,608,452	99.9%	2,690,176	99.9%	2,654,890	99.9%
Cigarette License Fees	1,955	0.1%	2,525	0.1%	3,435	0.1%
Total School Fund	**2,610,407**	**100.0%**	**2,692,701**	**100.0%**	**2,658,325**	**100.0%**
Total All Funds	***$462,692,914***	***100.0%***	***$636,938,459***	***100.0%***	***$217,138,831***	***100.0%***

Table 2 - General Fund Income and Excise Tax Collections

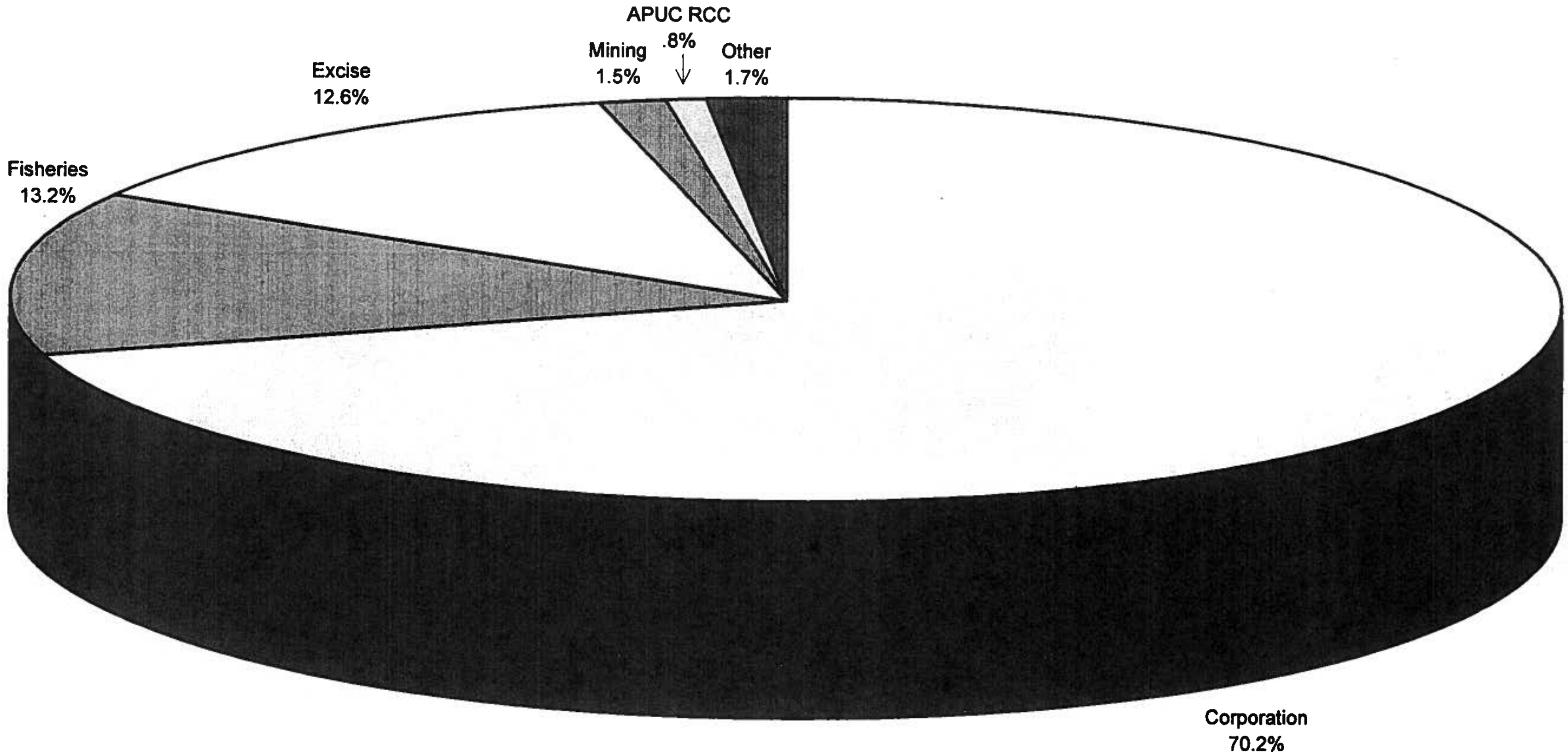


Total Tax Collections: $356,780,236

Other Fisheries *includes salmon enhancement and marketing taxes and seafood marketing assessment collections.*

Other *includes estate, electric and telephone cooperative, APUC regulatory cost charges, coin-operated devices, mining license and individual income tax collections.*

Table 3 - Income and Excise Tax Returns Filed



Total Tax Returns Filed: 21,886

Corporation	**15,367**	**Excise**	**2,740**	**Other**	**370**
Fisheries	**2,899**	*Motor Fuel*	1,982	*Coin-Operated Devices*	296
Salmon Marketing	922	*Tobacco*	558	*Estate*	49
Fisheries Business	794	*Alcohol*	200	*Electric Cooperative*	18
Salmon Enhancement	736	**Mining**	**329**	*Telephone Cooperative*	7
Seafood Marketing	352	**APUC RCC**	**181**		
Fishery Resource Landing	95				

HIGHLIGHTS

Corporation Tax Collections Highest Since FY 84. General Fund corporation income tax collections (excluding settlements) exceeded the $200 million mark in FY 96 with total collections of $227.1 million, the highest of any year since FY 84 when collections were $304.6 million.

The higher level of tax collections was primarily attributable to increased estimated tax payments from oil and gas corporations. Increased audit and compliance efforts also played a part in making FY 96 a banner year for corporation tax collections.

Corporation tax collections increased $31.5 million over FY 95 collections of $195.6 million. Average tax collections for the prior 5 years was $164.5 million.

Oil and Gas Corporation Tax Settlements Exceed $100 Million. IEAD settled cases (22 tax years) involving assessment of oil and gas corporation income taxes. Total collections from settlements in FY 96 were $103.3 million. The largest single settlement was for $60.5 million.

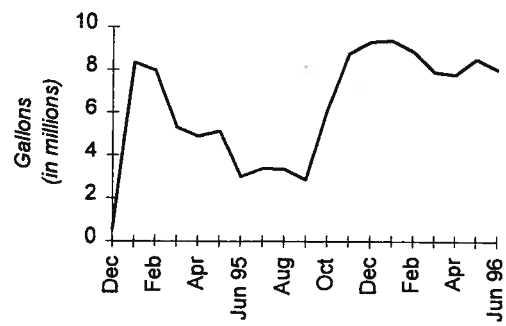
All settlement amounts were deposited into the state's Constitutional Budget Reserve Fund.

Gasohol Exemption Results in a $6.7 million Revenue Loss. Motor fuel tax collections continued to decline because of a dramatic expansion in sales of gasohol. Gasohol is fully exempt from Alaska's 8¢ per gallon motor fuel tax. Gasohol sales more than doubled over FY 95 when oxy-fuel requirements were first imposed. Sales increased from 35.2 million to 84.4 million gallons. The revenue loss from the gasohol exemption in FY 96 was $6.7 million.

The primary reason for the increase was that gasohol sales were made throughout the full fiscal year. For FY 95, gasohol sales didn't begin until halfway into the year when a federal clean air mandate, applicable to Anchorage, took effect. Sales began in December 1994. Since then, over 119 million gallons of tax-exempt gasohol have been sold (through June 1996).

Over 119 million gallons of tax-exempt gasohol have been sold since December 1994.

Although gasohol sales are mandated only for the months of November through February, Anchorage fuel retailers began selling gasohol year round. For example, June 1996 gasohol sales were 8 million gallons while June 1995 sales were 3 million gallons.



Gasohol sales by month since inception

Department of Revenue projects that FY 97 gasohol sales will reach 100 million gallons, up more than 15 million gallons from FY 96. Accordingly, the revenue loss from gasohol is estimated to be $8 million for FY 97.

Fisheries Businesses Meet Tax Obligations. With reports of financial hardships in the fishing industry, IEAD undertook to work closely with fisheries businesses to fully pay their calendar year 1995 fisheries business tax liabilities.

Large salmon harvests and competition from farmed fish drove down fish prices and caused a glut on the market. This affected some businesses' cash flow and their ability to fully pay their fisheries taxes which were due March 31, 1996.

IEAD worked with taxpayers to ensure payment of $1.5 million in delinquent fisheries business tax liabilities.

As of the March 31 due date, 12 of the 650 fisheries taxpayers, with combined outstanding tax liabilities of $1.5 million, were unable to fully pay their tax liability. IEAD successfully worked with the delinquent taxpayers to fully pay their taxes so that they could be licensed for the 1996 salmon fishing season. By mid-May, when the first substantial salmon fishery opened, all of the taxpayers had fully paid their tax liabilities and were able to carry on with processing activities.

Motor Fuel Tax Enhancement Project Initiated. IEAD initiated the *Motor Fuel Enhancement Project* in spring 1996 to meet four goals:

- Increase compliance with Alaska's motor fuel tax statutes.
- Meet national standards for reporting taxpayers' motor fuel activity.
- Increase efficiencies for taxpayers and the state in filing and processing returns.
- Enhance tracking of motor fuel activity in the state.

The project is a cooperative effort between taxpayers and IEAD and is expected to be completed in FY 97. To meet the project goals, IEAD is revising its motor fuel tax forms to conform with national reporting standards. Revised forms were drafted spring 1996 and final revisions will be made in late fall of 1996 after taxpayers' comments and suggestions are taken into consideration. IEAD will also work with taxpayers to establish procedures for electronic filing.

Additionally, IEAD will implement computer programs for performing automated audit tests and generating management reports, and utilize technology for filing and processing returns. IEAD let a contract in June 1996 for development of the computer programs; work under the contract will be completed in December 1996.

The project is being funded by Federal Highway Administration grant funds dedicated to states' motor fuel compliance programs. Grant funds will be used toward forms revision, computer programs development and computer hardware enhancements.

Compliance Efforts Yield Additional Returns and Revenue. The division's compliance unit continued efforts to identify nonfilers by comparing other state agency databases to the division's tax records. As a result of these efforts, approximately 1,800 returns were filed with over $1 million in additional tax due.

The compliance unit also stepped up efforts to identify affiliated corporations to ensure that all income for affiliates is included in the Alaska consolidated return filed with the department. These efforts resulted in a taxpayer filing multiple year returns with $1.1 million in tax paid to the state.

The unit began routine compliance checks of businesses listed in state publications and instituted a questionnaire for first time filers to determine if prior year returns were due.

Bunker Fuel Sales Exceed 4.1 million Gallon Full-tax Threshold. In 1994, the Alaska Legislature passed legislation providing for a lower tax rate on residual fuel oil (bunker fuel) used on passenger watercraft such as cruise ships. Normally

5¢ per gallon, the lesser tax rate of 1¢ per gallon applies only after tax revenue from bunker fuel sales exceed $205,000 or 4.1 million gallons. Under the legislation, taxpayers pay 5¢ per gallon on bunker fuel sales throughout the year and then the department refunds taxpayers for the difference in tax rate based on sales activity for each year ending September 30.

For the first time since the legislation took effect, annual bunker fuel sales exceeded the 4.1 million gallon threshold as 1995 sales totaled 4.4 million gallons. Accordingly, IEAD issued a $12,000 refund for the difference between the 5¢ and 1¢ tax rate on the 300,000 gallons over the threshold.

The refund provision did not apply for 1994 as total bunker fuel sales were only 3.3 million gallons.

Foreign Fuel Shipped into Anchorage's FTZ. In 1989, the Municipality of Anchorage received approval from the U.S. Commerce Department to create a Foreign Trade Zone (FTZ) which includes the Anchorage International Airport. Among other benefits, aviation jet fuel may be shipped into the FTZ tax-free.

In October 1995, Anchorage's FTZ was activated for the first time when a tanker unloaded 10.5 million gallons of Kuwaiti jet fuel at the Port of Anchorage. Fuel shipped into the FTZ and sold for use in flights originating or terminating in a foreign country was exempt from Alaska's motor fuel tax.

Since FTZ fuel shippers are not currently required to report to the state, the department can't generate reports to quantify total gallons imported into the FTZ. Based on information from the Port of Anchorage, approximately 30.9 million gallons of jet fuel was shipped into the FTZ.

The volume of FTZ fuel shipped into the Port of Anchorage was less than the growth of jet fuel consumption, which was 45 million gallons in FY 96.

New Tax Accounting System Brought On-line. IEAD implemented its new tax accounting system (TAS) on July 1, 1995. TAS expanded the division's tax database to include greater revenue and tax return detail for enhanced reporting, audit selection and compliance.

TAS is a key component in the division's efforts to gain efficiencies in administering its tax and audit programs and meet the demands of changing technology. TAS provides a structure for electronic filing and exchange of data between internal and external databases.

TAS utilizes a Sybase relational database with PowerBuilder application software in a windows environment.

Operating Budget Reduced - The division's operating budget has been reduced by $188,000 (5.2 %) over the past two years. The reductions have occurred as the number to tax returns processed has increased. Cost reductions totaling $153,000 were realized in travel, contractual and equipment categories during FY 96. For the remaining $35,000, the division reduced personal services costs.

To date, budget reductions have been met through operational efficiencies and deferring equipment purchases. No significant decrease in public services has resulted from the reductions. Continued reductions will reduce the number of audit staff hours available and retard progress toward full utilization of new computer systems implemented in FY 95 and 96.

NEW LEGISLATION

There were two bills directly affecting Income and Excise Audit Division (IEAD) that were passed by the 1996 Legislature and signed into law by the governor.

Several pieces of excise tax legislation were introduced during the 1996 legislative session on behalf of the Long Range Financial Planning Commission established by the 1995 Legislature. Although none of the legislation passed, a bill to increase the cigarette tax rate by $1 per pack gained the most momentum by passing the senate during the regular session.

As part of the agenda for the first special session, the governor included a ($1 per pack) cigarette tax increase bill. It did not pass.

Following are the bills affecting IEAD that were signed into law.

HB 397 (Ch 81 SLA 96) - Fish Landing Tax/Seafood Marketing Assessment. This bill made structural changes in fishery resource landing tax statutes to mirror the fisheries business tax program under AS 43.75 as follows.

First, the bill separated the 3.3% landing tax into two components - a 3% landing tax (except for developing species 1%) and a .3% seafood marketing assessment. Provisions for the seafood marketing assessment were incorporated into the same assessment statutes which apply to fisheries business taxpayers.

Second, the bill amended landing tax statutes to include the education and A. W. "Winn" Brindle scholarship tax credit programs authorized under AS 43.75. Credit limitations are the same as those for fisheries business taxpayers.

The bill also included housecleaning changes such as making the (April 1) seafood marketing assessment due date the same as the (March 31) landing tax due date. Changes were also made to tax sharing statutes to be consistent with those under AS 43.75.

All changes made under this bill were retroactive to January 1, 1994, the original effective date of the landing tax.

HB 434 (Ch 145 SLA 96) - Unclaimed Property. This bill amended unclaimed property statutes to simplify holder reporting requirements and implement efficiencies for administration of Alaska's unclaimed property program.

This bill simplified holder reporting by cutting report requirements in half. Under this legislation, holders will report and remit unclaimed property simultaneously every fall. Previously, holders were required to file a preliminary report every fall and then report again (with remittance) the following spring.

This bill increased aggregate reporting requirements, or minimum value for which detail is required, from $50 to $100. The new aggregate reporting requirements will reduce the volume of detail that holders have to include in their reports.

This bill set limits on the percentage that can be charged by persons (fee finders) who locate owners who have unclaimed property held by the state. The maximum percentage is based on the value of property as follows:

- 20% if property is less than $500
- 10% if property is $500 or more.

Previously, there were no statutory limits that applied to fee finders.

This bill took effect August 22, 1996.

Organization

Key Contacts

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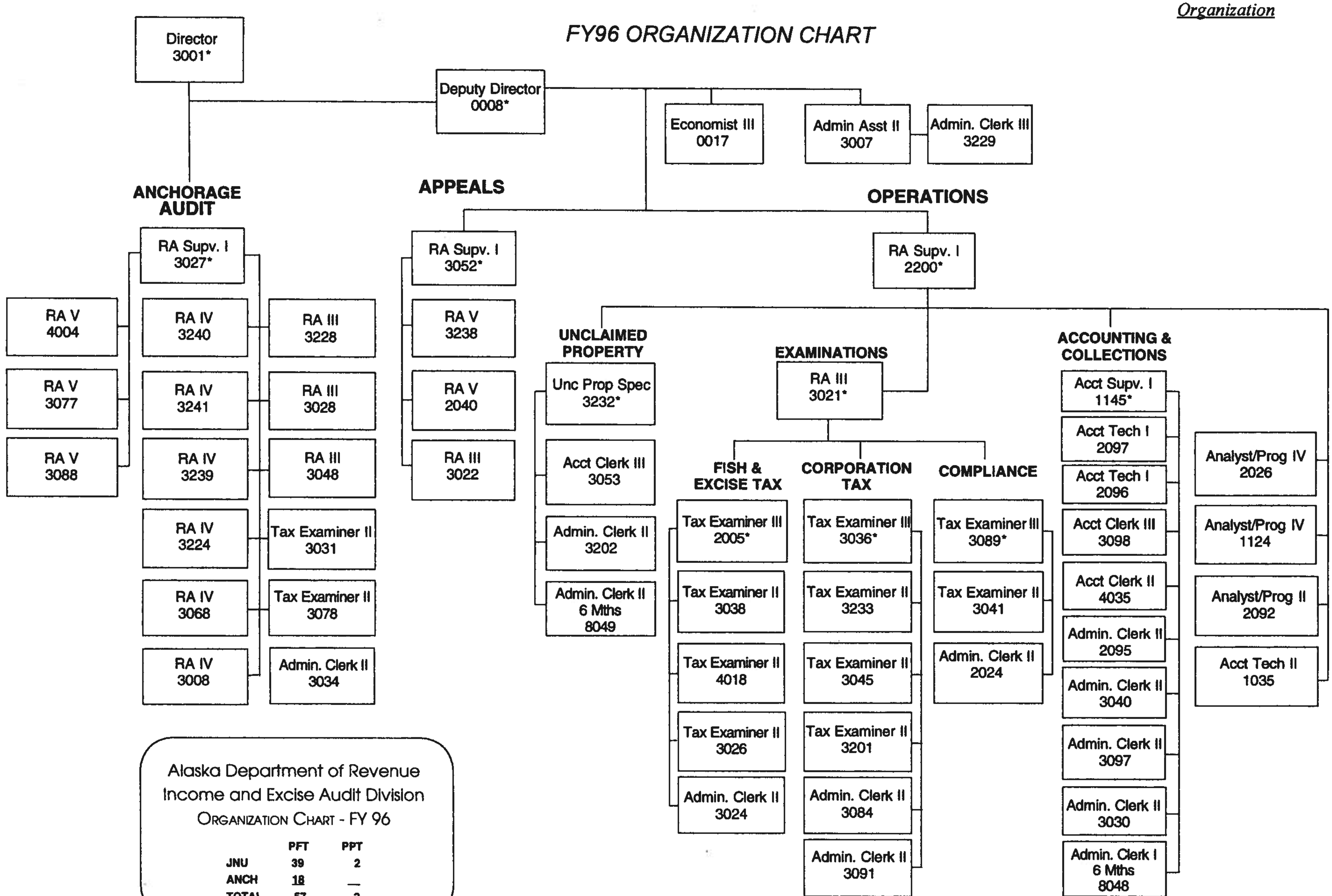
FY96 ORGANIZATION CHART



Alaska Department of Revenue
Income and Excise Audit Division
Organization Chart - FY 96

	PFT	PPT
JNU	39	2
ANCH	18	—
TOTAL	57	2

FUNCTIONS

During the fiscal year, Income and Excise Audit Division (IEAD) was staffed by 57 full-time and 2 seasonal positions, and maintained offices in Juneau and Anchorage. The division's FY 96 operating budget was $3.5 million. IEAD was functionally organized as follows: **Operations, Audit, Appeals** and **Research**.

OPERATIONS

Operations, located in Juneau and staffed by 32 full-time and 2 seasonal positions (including 3 computer programmers and a manager), is responsible for receipt and processing of tax returns and payments.

In conjunction with provisions for the Constitutional Budget Reserve Fund, Operations is responsible for accounting for oil and gas settlement payments received by the state. Operations receives payment characteristic forms from oil and gas agencies which direct how payments are to be allocated between different funds, and maintains a database of settlement payments.

Operations is comprised of five units: ***Accounting and Collections, Examination and Licensing, Compliance, Shared Taxes and Unclaimed Property.***

Accounting and Collections

Accounting and Collections, staffed by 9 full-time and 1 seasonal positions, is responsible for receiving and processing tax payments, data entering tax return information into the division's tax accounting system (TAS), and reconciling TAS revenues to the state's accounting system (AKSAS).

Accounting and Collections is responsible for processing payments, which includes data capturing payment information into TAS and reconciling activity to deposit summary information. The Unit also posts assessments for additional taxes and penalties into TAS.

Accounting and Collections generates management reports as a part of its reconciliation process and for identifying exception items. Special management reports are generated for division staff upon request.

Accounting and Collections is responsible for enforcement of delinquent accounts. Enforcement activities include contacting taxpayers for payment and taking appropriate actions to collect delinquencies such as filing liens and levying assets.

Examination and Licensing

Examination and Licensing, staffed by 12 full-time positions, is responsible for examining selected returns and issuing licenses to taxpayers. As part of the examination process, tax examiners generate assessments for additional taxes and penalties.

The Unit is comprised of two examination sections: *Corporation Tax, and Fish and Excise Tax.*

Corporation Tax is responsible for processing and examining corporation net income tax returns. In addition to the corporation returns, the unit receives partnership and other miscellaneous corporation information returns.

Corporation Tax examines returns based on priority criteria which include large dollar tax liabilities, large refund or credit claims and returns identified from exception listings (primarily accounts with TAS balances differing from return information).

Corporation Tax assists in updating corporation tax return forms to reflect changes in federal and Alaska tax laws and is responsible for mailing the return forms to corporate taxpayers on file with the division. The Section maintains corporation tax return files, taxpayer correspondence and estimated payment documents. Returns and related documents older than three years are archived by the Unit.

Fish and Excise Tax is responsible for processing and examining returns other than corporation returns and for licensing taxpayers.

The Section licenses fisheries businesses which process or export fisheries resources from the state. As part of the licensing function, the Section accounts for cash prepayments and other forms of security submitted by businesses to secure their tax liabilities as required by statutes.

The Section is responsible for administering the fish processor surety bonding program. This program requires that fisheries processors and buyers secure a $2,000 or $10,000 bond, depending on their activity, as surety against future claims from employees and fishers.

Fish and Excise Tax is also responsible for administering the following licensing programs: motor fuel (qualified dealers), mining, alcoholic beverages and tobacco.

The Section issues motor fuel tax refunds to consumers who purchased and paid tax on motor fuel but used the fuel for off-highway or exempt purposes.

Fish and Excise Tax prepares an annual report for Department of Commerce and Economic Development which summarizes salmon enhancement tax data. This data is used for determining appropriations to regional aquaculture associations. The Section also includes data in the report relating to the location where the salmon was purchased versus where caught.

Fish and Excise Tax prepares semi-annual wholesale canned salmon reports required under AS 43.80.050. The report is distributed to legislators, processors and other agencies.

Fish and Excise Tax is responsible for receiving and processing coin-operated device tax returns. As part of this program, tax receipts are issued to each taxpayer as required under statutes.

Fish and Excise Tax works with Department of Fish and Game to compile statewide average price information used by taxpayers in filing fishery resource landing tax returns.

Compliance

Compliance Unit, staffed by 3 positions, is responsible for securing returns from businesses and individuals required to file tax returns.

Compliance compares data from external agencies, such as IRS and Alaska Department of Commerce and Economic Development, against IEAD files to identify potential taxpayers. Compliance also follows up on compliance leads from internal and external sources.

Compliance administers the nonresident affidavit program under AS 43.10.160. This program requires nonresident corporations to report and secure estimated tax liabilities for each year. This program is integrated into the Compliance Unit to facilitate identification of corporations with Alaska tax filing requirements.

Compliance also approves clearances from state agencies who are making final payment on state contracts.

Shared Taxes

Shared Taxes, staffed by one full-time position, is responsible for sharing specified taxes and fees to municipalities in accordance with statutory requirements. Shared Taxes accounts for revenues subject to sharing and periodically issues warrants to communities for their portion of tax collections.

The following taxes and fees are subject to sharing:

Aviation Motor Fuel Tax
Coin-Operated Device Tax
Electric Cooperative Tax
Fisheries Business Tax
Fishery Resource Landing Tax
Liquor License Fees
Telephone Cooperative Tax

Amounts are shared based on the location of where the tax or fee was derived.

For FY 96, IEAD shared $25.7 million to 124 Alaska communities. IEAD publishes an annual report summarizing amounts shared by community. This report is distributed to the legislature, municipal officials and public.

Fisheries business and fishery resource landing tax statutes provide for additional sharing to municipalities based on fisheries activities within them. Under this program, 50% of fisheries business and landing tax revenues not previously subject to sharing are shared through allocation with municipalities statewide.

IEAD transmits additional sharing amounts to Department of Community and Regional Affairs (DCRA) who is responsible for allocating funds to municipalities based on a formula under DCRA regulations. For FY 96, IEAD transmitted $908,000 for additional sharing.

Unclaimed Property

Unclaimed Property, staffed by 3 full-time and 1 seasonal positions, is responsible for administering the state's unclaimed property program under AS 34.45.

Unclaimed property is a fiduciary program which requires that the state hold in trust personal and intangible property presumed to be abandoned or unclaimed as defined under AS 34.45. Intangible property includes money, deposits, checks, stocks, bonds, interest, dividends, etc.

Persons holding unclaimed property, or "holders", are required to report and remit property annually to the Unit. Holders are required to make an attempt to locate owners before remitting property to the Unit.

Unclaimed Property attempts to locate persons throughout the year and publishes an annual advertisement each spring to notify Alaskans that they have unclaimed property on file with the state. The advertisement, with a distribution base of 136,100, generates thousands of inquiries by Alaskans seeking to claim their property.

Because not all unclaimed property owners are located, amounts received from holders exceed refunds to owners. IEAD maintains a minimum balance in the unclaimed property trust account, from which refunds are paid, and periodically transfers excess funds to the General Fund.

Since the program's inception in 1986, the division has transferred approximately $11 million to the General Fund.

The Unit maintains an inventory of tangible personal property submitted by holders. The property is stored in a secured vault in Alaska.

AUDIT

Audit, located in Anchorage and staffed by 16 positions, is responsible for carrying out the division's audit activities.

Audit activities cover all tax types administered by IEAD with emphasis placed on oil and gas and large corporate taxpayers. Most of the revenue collected from tax assessments generated by the division is a result of Audit's activities.

Audit provides technical support to division staff in Juneau, assists appeals staff in resolution and litigation of audit assessments. Audit is also responsible for special research projects, analysis of proposed legislation and regulations, and taxpayer assistance in Anchorage.

APPEALS

Appeals, located in Juneau and Anchorage and staffed by 4 full-time positions, is responsible for hearing taxpayer appeals to tax assessments. Appeals receives taxpayer protests, or appeals, arising from assessments for additional taxes and penalties resulting from IEAD audit or examination activities. Cases are assigned to an appeals officer who initiates the informal conference process.

The appeals officer's function is to review the tax assessment and develop further facts, information and argument with relevance to the matters in dispute. A written decision is issued to the taxpayer upon conclusion of the informal conference. If the taxpayer disagrees with the decision, a formal hearing may be requested.

Formal hearings are conducted by department hearing officers who report directly to the Commissioner. One of IEAD's appeals officer may present the division's case at the hearing, including opening and closing arguments, cross examine witnesses and utilize rules of evidence. Legal briefs may be filed by the appeals officer during various stages of the hearing process.

Appeals is responsible for participating in alternative resolutions or settlements of tax assessments. Officers negotiate with taxpayers and make recommendations to management and the Attorney General's office.

RESEARCH

Research, located in Juneau and staffed by 1 full-time position, is responsible for monitoring and forecasting the state's General Fund revenues. Research works with state agencies to compile information for the *Revenue Sources Book*, a semi-annual publication which contains historical and forecasted revenue information.

Research monitors state and national economic conditions and conducts research needed to anticipate economic and business trends that affect tax revenue. Research also prepares fiscal notes and analyses of proposed tax legislation.

Tax Programs Detail

Table 4 - Revenue Collections Detail

	FY 96	FY 95	FY 94
CORPORATION NET INCOME			
General Fund			
Oil and Gas Corporations	$174,019,901	$129,440,334	$ 18,112,178
Alaska Education Credit - Oil and Gas	(318,175)	(299,550)	(153,700)
Other Corporations	54,591,059	67,482,125	44,440,792
Alaska Education Credit - Other	(1,236,310)	(1,006,724)	(642,583)
Total Receipts - General Fund	**227,056,475**	**195,616,185**	**61,756,687**
Total Receipts - CBRF	**103,269,899**	**304,209,414**	**32,048,325**
Total Receipts - All Funds	**$330,326,374**	**$499,825,599**	**$93,805,012**
FISHERIES BUSINESS			
Established			
Shore-based	$19,206,930	$19,552,652	$16,395,401
Floating	12,080,160	12,778,626	12,637,377
Cannery	6,061,145	5,171,014	4,109,362
Developing			
Shore-based	60,700	40,693	26,958
Floating	23,970	30,946	905
Total Tax	37,432,905	37,573,931	33,170,003
Prepayments	1,278,117	1,765,854	1,049,143
Penalties and Interest	57,433	275,173	93,399
License Fees	18,850	15,700	15,275
Total Tax Before Credits	38,787,305	39,630,658	34,327,820
Less Credits			
Winn Brindle	(391,702)	(446,237)	(398,876)
Alaska Education	(154,375)	(150,375)	(500)
Total Receipts	**38,241,228**	**39,034,046**	**33,928,444**
Less Fisheries Tax Shared			
Department of Revenue	(18,876,407)	(18,600,221)	(16,344,252)
Department of Community and Regional Affairs	(827,033)	(849,798)	(837,572)
Amount Retained by State	**$18,537,788**	**$19,584,027**	**$16,746,620**
MOTOR FUEL			
Highway	$21,027,021	$23,914,584	$25,413,003
Marine	8,500,490	7,626,690	8,147,443
Jet Fuel	7,203,228	7,132,360	6,063,519
Aviation Gasoline	982,096	881,843	823,696
Total Tax	37,712,835	39,555,477	40,447,662
Penalties and Interest	39,185	45,328	59,111
Less Bunker Fuel Refund	(11,965)	0	N/A
Total Receipts	**37,740,055**	**39,600,805**	**40,506,773**
Less Aviation Fuel Tax Shared	(158,641)	(142,794)	(109,852)
Amount Retained by State	**$37,581,414**	**$39,458,011**	**$40,396,921**

** Taxpayers may deduct lesser of 1% of tax due or $100 if return is timely filed (AS 43.40.010).*

Table 4 - Revenue Collections Detail

	FY 96	FY 95	FY 94
TOBACCO			
Cigarette	$15,278,692	$15,752,759	$15,548,201
Tobacco Products	1,652,599	1,496,637	1,403,775
Penalties and Interest	2,878	11,329	2,937
Less 1% Deductions*	(167,798)	(173,583)	(166,910)
Total Receipts	**16,766,371**	**17,087,142**	**16,788,003**
Less Amount Transferred to School Fund	(2,608,452)	(2,690,176)	(2,654,890)
Amount Retained in General Fund	**$14,157,919**	**$14,396,966**	**$14,133,113**

** Taxpayers may deduct 1% of tax due (AS 43.50.090).*

	FY 96	FY 95	FY 94
ALCOHOLIC BEVERAGES			
Liquor	$ 6,070,806	$ 6,120,156	$ 6,129,098
Beer	4,778,361	4,778,807	4,769,868
Wine	1,137,606	1,068,230	1,056,462
Penalties and Interest	(1,307)	1,990	186
Total Receipts	**$11,985,466**	**$11,969,183**	**$11,955,614**

	FY 96	FY 95	FY 94
FISHERY RESOURCE LANDING *(Tax Effective January 1, 1994)*			
Tax Before Credits	$5,291,451	$1,994,474	0
Estimated Payments	1,813,521	4,751,775	102,424
Penalties and Interest	42,883	0	0
Less CDQ Credits	(9,979)	(60,179)	0
Less Credits for Other Taxes	0	(1,912)	0
Total Receipts	**7,137,876**	**6,684,158**	**102,424**
Less Landing Tax Shared*			
Department of Revenue	(3,276,695)	(2,834,835)	N/A
Department of Community and Regional Affairs	(43,977)	(61,570)	N/A
Amount to be Retained by State	**$3,817,204**	**$3,787,753**	**$102,424**

** Reflects amounts based on returns filed through July 31 following the respective fiscal year. Because landing tax returns were not due until June 30 of each fiscal year, the department did not receive returns until July as most taxpayers mailed their returns at the end of June.*

	FY 96	FY 95	FY 94
SALMON ENHANCEMENT			
Tax by Aquacultural Region			
Southern Southeast	$1,742,377	$1,747,633	1,813,247
Kodiak	1,096,604	758,812	796,821
Northern Southeast	906,483	1,651,425	$1,088,658
Prince William Sound	691,893	560,927	434,271
Cook Inlet	503,716	728,696	610,053
Chignik	288,576	216,847	196,101
Total Tax	$5,229,649	5,664,340	4,939,151
Penalties and Interest	6,289	25,180	15,064
Total Receipts	**$5,235,938**	**$5,689,520**	**$4,954,215**

	FY 96	FY 95	FY 94
SALMON MARKETING			
Tax	$4,766,239	$4,689,746	$3,011,895
Penalties and Interest	38,177	20,864	7,048
Total Receipts	**$4,804,416**	**$4,710,610**	**$3,018,943**

Table 4 - Revenue Collections Detail

	FY 96	FY 95	FY 94
SEAFOOD MARKETING ASSESSMENT			
Fisheries Business	$3,201,579	$3,224,109	$2,718,316
Fishery Resource Landing	565,879	617,838	N/A
Penalties and Interest *(Fisheries Business)*	10,249	17,933	6,909
Total Receipts	**$3,777,707**	**$3,859,880**	**$2,725,225**
APUC REGULATORY COST CHARGES			
Electric Utilities	$685,879	$1,829,389	$1,815,175
Telephone Utilities	295,523	1,173,597	1,028,825
Other Utilities	595,982	410,177	465,790
Pipeline Carriers	290,874	912,048	947,338
Penalties and Interest	0	0	13,595
Total Receipts	**$1,868,258**	**$4,325,211**	**$4,270,723**

FY 96 reflects half-year revenue because the RCC program had sunsetted in FY 95 and was not reestablished until December 1995.

	FY 96	FY 95	FY 94
ESTATE			
Total Receipts	**$1,658,011**	**$1,157,793**	**$1,616,313**
ELECTRIC COOPERATIVE			
Total Receipts	**$1,377,992**	**$1,336,034**	**$1,283,820**
Less Cooperative Taxes Shared	(1,350,030)	(1,265,114)	(1,215,819)
Amount Retained by State	**$ 27,962**	**$ 70,920**	**$ 68,001**
TELEPHONE COOPERATIVE			
Total Receipts	**$1,163,366**	**$1,064,816**	**$1,325,368**
Less Cooperative Taxes Shared	(1,104,793)	(1,021,559)	(1,284,762)
Amount Retained by State	**$ 58,573**	**$ 43,257**	**$ 40,606**
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	$630,842	$493,259	$311,894
Less Alaska Education Credit	(150,000)	(150,000)	(150,000)
Total Receipts - General Fund	**480,842**	**343,259**	**161,894**
Total Receipts - CBRF	**32,372**	**138,648**	**7,491**
Total Receipts - All Funds	**$513,214**	**$481,907**	**$169,385**
COIN-OPERATED DEVICES			
Tax Receipts	$88,454	$100,380	$94,891
Penalties and Interest	776	1,681	614
Total Receipts	**89,230**	**102,061**	**95,505**
Less Device Tax Shared	(32,219)	(47,015)	(47,161)
Amount Retained by State	**$ 57,011**	**$ 55,046**	**$48,344**

Table 4 - Revenue Collections Detail

	FY 96	FY 95	FY 94
INDIVIDUAL INCOME			
Total Receipts	**$5,457**	**$7,169**	**$16,000**
CIGARETTE LICENSE FEES *(Deposited Directly to School Fund)*			
Total Receipts	**$1,955**	**$2,525**	**$3,435**

Table 5 - Program Revenue and Cost Detail

(Sorted by Revenue)

			Program		Per FTE[2]	
	Returns	Revenue	Cost[1]	FTE[2]	Revenue	Cost
Tax Programs						
Corporation	15,367	$227,056,475	$2,415,932	38.1	$5,959,488	$63,410
Fisheries Business	794	38,241,228	220,142	4.2	9,105,054	52,415
Motor Fuel	1,982	37,740,055	299,713	5.5	6,861,828	54,493
Tobacco	558	16,768,326	44,023	0.8	***	***
Alcoholic Beverages	200	11,985,466	23,596	0.4	***	***
Fishery Resource Landing	95	7,137,876	42,469	0.7	***	***
Salmon Enhancement	736	5,235,938	55,711	1.0	5,235,938	55,711
Salmon Marketing	922	4,804,416	66,871	1.1	4,367,651	60,792
Seafood Marketing Assessments	352	3,777,707	43,159	0.7	***	***
APUC Regulatory Cost Charges	181	1,868,258	13,602	0.3	***	***
Estate	49	1,658,011	3,563	0.1	***	***
Electric Cooperative	18	1,377,992	637	<.1	***	***
Telephone Cooperative	7	1,163,366	252	<.1	***	***
Mining License	329	480,842	36,967	0.7	***	***
Coin-Operated Device	296	89,230	14,409	0.3	***	***
Individual Income	N/A	5,457	0	<.1	***	***
Total Tax Programs	**21,886**	**359,390,643**	**3,281,046**	**54.0**		
	(Reports)					
Unclaimed Property Program	**1,569**	**2,485,202**	**220,041**	**4.1**		
Total All Programs	**23,455**	**$361,875,845**	**$3,501,087**	**58.0 ***		

Tax Programs	
Total Revenue per FTE	***$6,655,382***
Total Cost per FTE	***$60,760***

Unclaimed Property Program	
Total Revenue per FTE	***$606,147***
Total Cost per FTE	***$53,669***

[1] Includes total operating costs of the division.

[2] Full-time equivalent staff position

* 57 full-time and 2 seasonal (1 FTE)

*** Combined revenues and costs for these programs are $46,312,531 and $222,677, respectively. These programs require 3.9 FTE positions. Combined revenue and cost per FTE are $11,875,008 and $57,097.

N/A - Program not in effect; however, IEAD received collections from delinquent accounts

Table 6 - Collections from Audit and Tax Examiner Assessments

(Sorted by Total Collections)

Tax Type	Collections from Assessments			Staffing (FTE)[1]		Per FTE[1]	
	Audit	Exam	Total	Audit	Exam	Audit	Exam
Corporation							
Oil and Gas	$103,269,899	$ 0	$103,269,899	12.4	0.1	$8,328,218	$ 0
Non Oil and Gas	2,548,915	2,521,166	5,070,081	2.8	7.0	910,327	360,167
Fisheries Business	0	1,550,536	1,550,536	0.1	2.4	**	646,057
Motor Fuel	0	38,191	38,191	0.7	2.7	0	14,145
Fishery Resource Landing	0	28,566	28,566	*	0.4	**	**
Tobacco	0	15,253	15,253	*	0.4	**	**
Mining	0	14,647	14,647	*	0.5	**	**
Estate	0	7,320	7,320	*	<.1	**	**
Salmon Marketing	0	6,775	6,775	*	0.4	**	**
Seafood Marketing	0	6,476	6,476	*	0.2	**	**
Alcoholic Beverages	0	4,890	4,890	*	0.3	**	**
Salmon Enhancement	0	3,377	3,377	*	0.4	**	**
Other	0	2,674	2,674	*	0.2	**	**
Total	**$105,818,814**	**$ 4,199,871**	**$110,018,685**	**16.0**	**15.0**		

Total Collections per Audit FTE	***$6,613,676***
Total Collections per Exam FTE	***$279,991***

[1]Full-time equivalent staff position

* Combined audit staff dedicated toward these programs was less than.1 FTE position.

** Collections per FTE not provided since combined FTE positions allocated to these programs is less than one.

Other includes APUC regulatory cost charges, electric and telephone cooperative, coin-operated devices and individual income tax types.

Alcoholic Beverages Tax
AS 43.60

Description
The alcoholic beverages tax is levied on alcoholic beverages sold in or transferred into Alaska. Alcoholic beverages taxes are collected primarily from wholesalers and distributors.

Rate

	Per Gallon
Liquor	$5.60
Wine	$.85
Beer	$.35

Returns
Returns are filed monthly and due with payment of taxes by the last day of the month following the month in which sales were made.

Exemptions
Sales to facilities operated by one of the uniformed services of the United States are exempt.

Disposition of Revenue
All revenue derived from the alcohol beverages tax is deposited in the General Fund.

History
The alcohol beverages tax dates back to 1933 when a tax on beer and wine was enacted at a rate of 5¢ per gallon. Alcohol tax returns were required to be filed monthly.

In 1937, the territorial legislature enacted a tax on liquor at a rate of 50¢ per gallon. The rate for wine increased to 15¢ per gallon.

Since 1937, minor changes to statutes were made; however, rates were increased significantly in keeping with rate changes made by other states over time, though no changes have been made since 1983.

Alcoholic beverages tax rates have changed as follows.

Liquor	*Per Gallon*
1937	$.50
1941	$1.00
1945	$1.60
1946	$2.00
1947	$3.00
1957	$3.50
1961	$4.00
1983	$5.60
Wine	
1933	$.05
1937	$.15
1947	$.25
1957	$.50
1961	$.60
1983	$.85
Beer	
1933	$.05
1947	$.10
1957	$.25
1983	$.35

FY 96 Statistics

Tax Collections	$11,985,466
Number of Returns	200
Number of Taxpayers	12
Program Cost	$23,596
Staffing *(full-time equivalent)*	.4

	Taxable Gallons Sold
Beer	13,652,460
Wine	1,338,360
Liquor	1,084,072

Coin-Operated Devices Tax
AS 43.35

Description
The coin-operated devices tax is levied on entertainment and amusement devices, such as video game machines, billiards, jukeboxes and pinball machines which are operated by coin or token. Coin-operated devices taxes are collected primarily from businesses which place machines in their establishments.

Rate
Each coin-operated device in operation is taxed based on its classification as defined under statutes as follows:

Type	*Per Year*
Class 1	$48
Class 2	$120
Class 3	$240

Class 1 devices include video and pinball games, billiards, jukeboxes and other similar amusement and gaming devices.

Class 2 devices include coin-operated bingo and gambling machines which release free plays. These devices are illegal under Alaska law.

Class 3 devices include slot machines and other gambling machines which provide for a cash payout. These devices are illegal under Alaska law.

Coin-operated devices taxes are prorated by month for machines placed in operation after January of each year.

Returns
Taxpayers file returns for machines which will be operated during the following year. Returns are due with payment of taxes by December 31 each year.

Taxpayers are required to file returns and pay prorated taxes prior to installation for machines placed in operation during the year.

Disposition of Revenue
All revenue derived from coin-operated devices taxes is deposited in the General Fund.

Fifty percent of taxes sourced from machines placed in municipalities are shared to respective municipalities on an annual basis by the Department.

History
The coin-operated devices tax originated in 1941. The tax was 12½% of gross receipts of the machine.

In 1946, the coin-operated device tax was replaced with a fee and a stamp was issued for each machine. Provisions for quarterly returns and sharing 50% of revenue were adopted.

In 1947, provisions for the fee were repealed and the tax restored. The territorial legislature adopted the following rates: amusement devices $50; and gaming devices $200 per year.

In 1949, provisions for prorating taxes on a quarterly basis were adopted.

In 1960, the present tax structure and rates were adopted and the filing basis was changed to calendar year.

FY 96 Statistics

Tax Collections	$89,230
Number of Returns	296
Number of Taxpayers	271
Program Cost	$14,409
Staffing *(full-time equivalent)*	.3

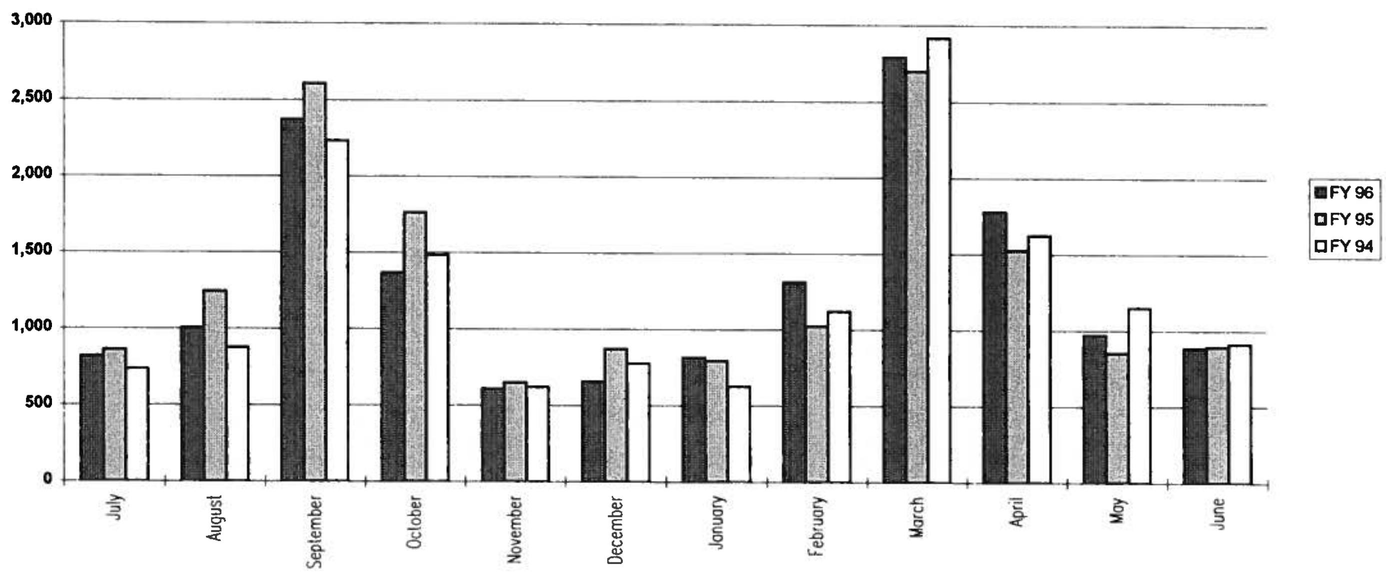
Corporation Net Income Tax
AS 43.20

Description
Corporation net income tax is levied on net income of corporations that have nexus and derive income from sources within Alaska. Corporations compute their tax liability based on federal taxable income with Alaska adjustments.

Alaska uses an apportionment method to determine the portion of income that is taxable in the state. Corporations other than oil and gas apportion their income to Alaska by using a three-factor formula based on sales, property and payroll. Alaska taxable income is determined by applying the apportionment factor to the corporation's modified federal taxable income.

Table 7 - Corporation Tax Return Filing Activity
For Fiscal Years 1996, 1995 and 1994

Number of Returns Filed by Month



Fiscal Year	*FY 96*	*FY 95*	*FY 94*
Total Returns Filed	15,367	15,779	15,070

Detail of FY 96 Filing Activity

Entity Type	Original	Amended	NOL*	Incomplete	Total
Subchapter C	7,281	630	464	392	8,767
Subchapter S	4,619	41	0	0	4,660
Homeowner's Association	425	2	0	0	427
Exempt	1,389	60	0	0	1,449
Oil and Gas	37	25	2	0	64
Total	13,751	758	466	392	15,367

* Net operating loss carryback

Table 8 - Corporation Tax Liabilities Statistics

Tax Liabilities Reported on Original Tax Returns Filed in FY 96

	Oil and Gas Corporations			Other than Oil and Gas Corporations			All Corporations		
Alaska Net Income	***# Filers***	***Amount***	***% Total***	***# Filers***	***Amount***	***% Total***	***# Filers***	***Amount***	***% Total***
Above $1 million	6	$93,345,640	97.04%	5	$17,528,458	33.28%	11	$110,874,098	74.48%
$500,000 - $1 million	1	725,724	0.75%	14	9,006,010	17.10%	15	9,731,734	6.54%
$100,000 - $499,999	7	2,016,931	2.10%	61	14,285,505	27.12%	68	16,302,436	10.95%
$50,000 - $99,999	0	0	0.00%	53	3,892,063	7.39%	53	3,892,063	2.61%
$10,000 - $49,999	4	99,753	0.10%	215	5,228,382	9.93%	219	5,328,135	3.58%
$1,000 - $9,999	0	0	0.00%	677	2,344,349	4.45%	677	2,344,349	1.57%
$100 - $999	2	576	0.00%	837	339,150	0.64%	839	339,726	0.23%
$1 - $99	1	63	0.00%	1,348	41,889	0.08%	1,349	41,952	0.03%
Zero Tax	16	0	0.00%	10,504	0	0.00%	10,520	0	0.00%
Total	37	$96,188,687	100.00%	13,714	$52,665,806	100.00%	13,751	$148,854,493	100.00%

Note: Amounts reflect tax liabilities reported on the taxpayer original returns. Liabilities may differ from amounts remitted by the taxpayer during the fiscal year due to timing differences resulting from estimated tax payments, credits and final payment of taxes reported.

A corporation engaged in business solely in Alaska computes its tax liability on 100% of its taxable income.

Multistate corporations apportion income to Alaska under a "water's edge" apportionment method. Oil and gas corporations apportion income on a worldwide apportionment method.

Rate
Corporation tax rates are graduated from 1% to 9.4% in $10,000 increments of Alaska taxable income. The maximum of 9.4% applies to income over $90,000.

Returns
Returns are filed annually based on the corporation's fiscal year. Payment of taxes is due two and a half months from the close of the fiscal year. Tax payments over $150,000 are required to be remitted by wire transfer. The payment due date may not be extended.

Returns are due three and a half months after the close of the fiscal year. Corporations may extend their filing due date by six months.

> *Example: The filing due date for calendar year corporations is April 15. Corporations may extend their filing due date to October 15. In any case, payment is due March 15.*

Corporations make quarterly estimated tax payments based on past activity and the current year's accrued tax liability. Estimated payments over $100,000 are required to be remitted by wire transfer.

Exemptions
Insurance companies, which are required to pay an insurance premiums tax under AS 21.09.210(f), limited liability companies (LLC) and corporations recognized under Subchapter S of the Internal Revenue Code are exempt from corporation income tax.

Electric and telephone cooperatives, which are required to pay cooperative taxes under AS 10.25, are also exempt.

Credits
Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and 100% of the next $100,000 of contributions. The maximum credit is $150,000 for each tax year.

Minerals Exploration Incentive - Taxpayers may take a credit for 100% of eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved minerals exploration incentive credit may not exceed $20 million and must be applied within 15 tax years after the taking of the credit is approved. Application of the credit is limited to 50% of the lesser of the taxpayer's mining license tax liability or 50% of the taxpayer's total corporation net income tax liability.

Oil and Gas Exploration Incentive - Taxpayers may take a credit for up to 50% of eligible costs related to oil and gas exploration. An approved oil and gas exploration incentive credit may not exceed $5 million per project and is limited to $30 million per taxpayer. The credit may be applied against 100% of corporation net income taxes due.

Special Industrial Incentive Investment - Taxpayers may claim a credit for investment in gas processing and mining projects in Alaska. The credit is calculated as a percentage, ranging from 40% to 100%, of allowable federal investment tax credit and is limited to 60% of Alaska tax. The credit may not be claimed on investments made after December 31, 1994 and may not be carried forward to tax years beginning after December 31, 1999.

Disposition of Revenue

Revenue derived from corporation net income taxes is deposited in the General Fund except as noted below.

For oil and gas corporations only, revenue received subsequent to a tax assessment issued by the Department is deposited in the Constitutional Budget Reserve Fund.

History

The corporation net income tax dates back to 1949 when the territorial legislature enacted the "Alaska Net Income Tax Act". The Act imposed a flat tax of 10% of the corporation's federal income tax liability.

In 1963, the tax rate was increased to 16% of the corporation's federal income tax liability.

In 1975, the Alaska legislature repealed the original income tax act and enacted an income tax act based on taxable income rather than federal tax liability. The tax was equal to 5.4% of taxable income with a surtax of 4% based on federal surtax exemptions. For 1975, the federal surtax exemption was $50,000.

In 1978, the Alaska legislature enacted a bill requiring oil and gas corporations to calculate taxable income based on a "separate accounting" method which required that the corporations account for Alaska activity only in determining taxable income (AS 43.21).

In 1981, separate accounting (AS 43.21) was repealed and the modern corporation tax rate structure was adopted (1% - 9.4%). With repeal of AS 43.21, all corporations file returns using worldwide combined reporting and use the same tax rate structure.

In 1984, the legislature adopted the special industrial incentive investment tax credit.

In 1987, the Alaska education credit was authorized. The maximum credit was $100,000.

In 1991, the Alaska legislature enacted a bill authorizing corporations, except for oil and gas corporations, to calculate taxable income based on "water's edge" (U.S. domestic income) combined reporting method. Oil and gas corporations continue to use worldwide combined reporting method. Also, the Alaska education credit calculation method was restructured and the maximum was increased to $150,000.

In 1994, the legislature authorized the oil and gas exploration incentive credit. The credit is limited to $30 million and may be applied against 100% of corporation taxes due.

In 1995, the legislature authorized the minerals exploration incentive credit. The credit is limited to $20 million and may be applied against 50% of corporation taxes due over a 15 year period.

FY 96 Statistics

Tax Collections	
General Fund	$227,056,475
CBRF	$103,269,899
Number of Corporate Returns	15,367
Number of Taxpayers	11,793
Program Cost	$2,415,932
Staffing (full-time equivalent)	38.1

Return Type	*# Filed*
Original	
Oil and Gas	37
Other	13,714
Amended	
Oil and Gas	25
Other	733
Net Operating Loss Carryback	
Oil and Gas	2
Other	464
Incomplete	
Other	392
Total	**15,367**

Electric Cooperative Tax
AS 10.25.555

Description
The electric cooperative tax is based on kilowatt hours furnished by qualified electric cooperatives recognized under AS 10. Taxes are collected from cooperatives.

Rate
The electric cooperative tax is based on a mill rate depending on the length of time in which the cooperative has furnished electricity to consumers as follows:

Length	*Rate Per kWh*
Less than 5 years	.25 mill
5 years or longer	.5 mill

(1 mill = .1¢)

Returns
Electric cooperatives file calendar year returns which are due with payment before March 1 of the following year.

Exemptions
All electric cooperatives are subject to the cooperative tax. The electric cooperative tax is paid in lieu of corporation income taxes.

Disposition of Revenue
All revenue derived from electric cooperative taxes is deposited in the General Fund.

Electric cooperative taxes sourced from within municipalities are shared 100% to respective municipalities.

Electric cooperative taxes sourced from outside of municipalities are retained by the state.

History
The electric cooperative tax dates back to 1959 when the first Alaska legislature enacted the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. The original electric cooperative tax was based on gross revenue and due by April 1 of the following year. The tax rate was based on the length of time in which the cooperative had provided electricity to consumers.

In 1960, the due date for paying taxes was changed to March 1.

In 1980, the tax base for calculating the electric cooperative tax was changed from gross revenue to kilowatt hours. Mill rates as they exist today were also adopted.

FY 96 Statistics

Tax Collections	$1,377,992
Number of Returns	18
Number of Taxpayers	16
Program Cost	$637
Staffing *(full-time equivalent)*	<.1

Estate Tax
AS 43.31

Description
The estate tax is levied on the transfer of an estate upon death.

Rate
The Alaska estate tax is the amount of state credit allowed on the estate's federal return.

Returns
Estates are required to file returns and pay taxes within 15 months from the decedent's date of death.

The tax due date may be extended in one-year increments, not to exceed 5 years. Interest accrues on the amount of tax due during the extension period. The return due date may be extended for up to 15 years.

Exemptions
Estates under $600,000 are generally exempt from paying estate taxes taking into

consideration the unified estate tax credit allowed under the Internal Revenue Code.

Disposition of Revenue

All revenue derived from estate taxes is deposited in the General Fund.

History

The estate tax dates back to 1919 when the territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1% to 17.5% of the property's value and were dependent on variable factors which were changed over the years.

In 1970, the Alaska legislature repealed the inheritance and transfer tax statutes and enacted the current estate tax statutes. Estate tax statutes tie to the state credit allowed under Internal Revenue Code estate tax laws.

FY 96 Statistics

Tax Collections	$1,658,011
Number of Returns	49
Number of Death Certificates Issued	608
Program Cost	$3,563
Staffing *(full-time equivalent)*	.1

Fisheries Business Tax
AS 43.75

Description

The fisheries business tax is levied on fisheries businesses and person who export fisheries resources from Alaska. The tax is based on the fisheries value paid to commercial fishers or fair market value when there is no arms length transaction. Fisheries business taxes are collected primarily from licensed processors and persons who export fisheries from Alaska.

Rate

Fisheries business tax rates are based on processing activity, whether in or outside of the state, and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game.

Rates are as follow:

Processing Activity	*Rate*
Established	
Floating	5%
Salmon Cannery	4.5%
Shore-based	3%
Developing	
Floating	3%
Shore-based	1%

Returns

Fisheries businesses file calendar year returns which are due with payment on March 31 of the following year.

Taxpayers are required to file returns for post-season (bonus) payments made to fishers after the calendar year return is filed. Returns for these payments are due with additional taxes by the last day of the month following the payment.

Exemptions

Commercial fishers who process fisheries to maintain its quality before being sold to a licensed processor are exempt.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and 100% of the next $100,000 of contributions. The maximum credit is $150,000 for each tax year.

Scholarship Contributions - Taxpayers who make contributions to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contributions not to exceed 5% of their tax liability.

Disposition of Revenue

All revenue derived from the fisheries business tax is deposited in the General

Fund. Revenue from the tax may be appropriated by the legislature for revenue sharing as follows.

Processing Activity Inside Municipality
For taxes sourced from processing activities within a municipality, 50% of the taxes are shared to respective municipalities in which processing took place. If a municipality is within a borough, the 50% amount to be shared is generally split equally between the municipality and borough.

Processing Activity Outside Municipality
For taxes sourced from processing activities outside a municipality (unorganized borough), 50% of the taxes are shared through an allocation program administered by the Alaska Department of Community and Regional Affairs.

History

The fisheries business tax is the oldest tax in Alaska. In 1899, the U.S. Congress adopted a "salmon case" tax to fund fisheries-related activities in pre-territorial Alaska.

After passage of the Organic Act in 1912, which established an organized territorial government in Alaska, the First Territorial Legislature adopted fisheries taxes in 1913 as follows: "salmon pack" tax which applied to salmon canneries based on canned salmon (7¢ per case); and "cold storage" tax which applied to other fisheries and was based on business receipts. Over the years between 1913 and 1949, the tax was amended several times by changing tax rates and expanding the tax base to include different fisheries.

In 1949, the territorial legislature restructured the fisheries business tax to be based on value of the fisheries rather than volumes, i.e. per case, or business receipts. The new "raw fish" tax applied to canneries only (salmon 4%, crab and clams 2%, and other 1% of value).

In 1951, the legislature enacted a tax on floating processors at 4% of value. The tax rate for salmon canneries was increased to 6%. Also, licensing requirements for fisheries businesses was enacted. The license fee was established at $25.

In 1962, the Alaska legislature adopted provisions for sharing taxes (10%) and requiring calendar year returns for all businesses.

In 1967, the tax rate on salmon canneries was amended to 3% and provisions for security as part of licensing was adopted.

In 1979, the legislature adopted the modern tax structure with different tax rates for established and developing species. Also the shared tax percentage increased to 20%.

In 1981, the shared tax percentage was increased to 50%.

In 1986, the Alaska legislature authorized the fisheries business tax credit program which provided for a tax credit of up to 50% fisheries business taxes due. Under the credit program, processors were allowed a tax credit for capital expenditures associated with constructing and improving shore-side processing operations. The tax credit program was effective for tax years 1987 through 1989 with a carryforward provision through 1991. Approximately $47.5 million of credits were claimed under this program.

Also, in 1986 the Winn Brindle scholarship credit was enacted allowing for a credit of up to 5% of fisheries business taxes due.

In 1987, the Alaska education tax credit program was enacted allowing for a tax credit up to $100,000 against fisheries business taxes due.

In 1990, the Alaska legislature enacted provisions for assessing civil penalties up to $5,000 for each infraction of processing without a license. Penalties may be assessed progressively in increments of up to $5,000 up to a maximum of $25,000 for the fifth and subsequent assessments.

In 1990, the legislature also enacted a provision which authorized sharing 50% of taxes sourced from processing activities in the unorganized borough. This program took effect July 1, 1992.

In 1991, the Alaska education credit was restructured and the maximum amount was increased to $150,000.

Under executive order effective July 1, 1993, the fish processor surety bonding program was transferred from Department of Labor to Department of Revenue.

In 1995, the legislature reduced the amount of surety bonding for small processors from $10,000 to $2,000.

FY 96 Statistics

Tax Collections	$38,241,228
Number of Returns	794
Number of Taxpayers	654
Program Cost	$220,142
Staffing *(full-time equivalent)*	4.2

Fisheries Business Licenses Issued

Shore-based	319
Floating	293
Exporter	115
Total	727

Fishery Resource Landing Tax *AS 43.77*

Description

The fishery resource landing tax is levied on processed fishery resources first landed in Alaska. The tax is based on the unprocessed value of the resource, which is determined by multiplying a statewide average price per pound (based on Alaska Department of Fish and Game data) by the unprocessed weight.

Fishery resource landing taxes are collected primarily from factory trawlers and floating processors which process fishery resources outside of the state's 3-mile limit and bring their products into Alaska for transshipment.

Rate

Fishery resource landing tax rates are based on whether the resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follow:

	Rate
Established	3%
Developing	1%

Returns

Returns are filed on a calendar year basis and are due with payment of tax on March 31 of the following year. Taxpayers generally make quarterly estimated tax payments which are due on the last day of each calendar quarter.

The department grants an automatic extension to file the landing return if it does not provide statewide average prices to taxpayers at least 30 days prior the March 31 due date. If the extension applies, the due date is the last day of the month following the month in which the department issues statewide average prices. The department granted the extension for calendar year 1995 returns and the due date was June 30, 1996.

Exemptions

Unprocessed fishery resources landed in the state are exempt from the fishery resource landing tax, although they may be subject to the fisheries business tax.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and

100% of the next $100,000 of contributions. The maximum credit is $150,000 for each tax year.

Scholarship Contributions - Taxpayers who make contributions to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contributions not to exceed 5% of their tax liability.

CDQ - Taxpayers who harvest a fishery resource under a community development quota (CDQ) may claim a credit of up to 45.45% of fishery resource landing taxes for contributions to Alaska nonprofit corporations that are dedicated to fisheries industry-related expenditures.

Other Taxes - Taxes paid to another jurisdiction on fishery resources may be claimed as a credit against the fishery resource landing tax. The credit, equal to the amount of taxes paid in the other jurisdiction, may not exceed the fishery resource landing tax.

Disposition of Revenue

All revenue derived from the fishery resource landing tax is deposited in the General Fund.

Revenue from the tax may be appropriated by the legislature for revenue sharing as follows.

Landings Inside Municipality
For taxes sourced from landings within a municipality, 50% of taxes (3% portion) are shared to respective municipalities in which landings occurred. If a municipality is within a borough, the 50% amount to be shared is generally split equally between the municipality and borough.

Landings Outside Municipality
For taxes sourced from landings outside a municipality (unorganized borough), 50% of the taxes are shared through an allocation program administered by the Alaska Department of Community and Regional Affairs.

History

The Alaska legislature enacted the fishery resource landing tax in 1993. The tax became effective January 1, 1994. Department of Revenue adopted regulations regarding administration of the tax. Regulations took effect April 20, 1994.

In February 1994, the American Factory Trawler Association (AFTA) filed litigation challenging the constitutionality of the landing tax. In May 1995, the Alaska Supreme Court rejected AFTA's request based on AFTA's failure to exhaust administrative remedies with Department of Revenue.

AFTA members have filed 1994 and 1995 returns under protest and are pursuing administrative remedies through the state's formal hearing process. An administrative decision is expected in 1997.

In 1996, the landing tax was restructured to mirror the structure of the fisheries business tax program. The rate was revised to 3% for established species and 1% for developing species. The .3% portion of the previous 3.3% tax rate was broken out and incorporated into seafood marketing assessment statutes. Also in 1996, landing tax statutes were amended to provide for tax credits for education and Winn Brindle scholarship contributions. All changes were retroactive to January 1, 1994, the inception date of the landing tax.

FY 96 Statistics

Tax Collections	$7,137,876
Number of Returns	95
Number of Taxpayers	62
Program Cost	$42,469
Staffing (full-time equivalent)	.7

Mining License Tax
AS 43.65

Description
The mining license tax is levied on mining net income and royalties received in connection with mining properties and activities in Alaska. Mining license taxes are primarily collected from businesses engaged in coal and hard rock mining in the state.

Rate
Mining Net Income	Rate
$0 - 40,000	No Tax
$40,001 - $50,000	3% of Net Income
$50,001 - $100,000	$1,500 plus 5% over $50,000
Over $100,000	$4,000 plus 7% over $100,000

Returns
Mining licensees file annual returns based on the mining business' fiscal year. Calendar year returns and payment of tax are due April 30; fiscal year returns and payment are due before the first day of the fifth month after the close of the fiscal year.

Exemptions
Except for sand and gravel operations, new mining operations are exempt from the mining license tax for a period of 3½ years after production begins.

Credits
Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and 100% of the next $100,000 of contributions. The maximum credit is $150,000 for each tax year.

Exploration Incentive - Taxpayers may take a credit for eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved exploration incentive credit may not exceed $20 million and must be applied within 15 tax years after the credit is approved. Application of the credit is limited to 50% of the lesser of the person's mining license tax liability related to the mining operation or 50% of the person's total mining license tax liability.

Special Industrial Incentive Investment - Taxpayers may claim a credit for investment in gas processing and mining projects in Alaska. The credit is calculated a percentage, ranging from 40% to 100%, of allowable federal investment tax credit and is limited to 60% of Alaska tax. The credit may not be carried forward to tax years beginning after December 31, 1999.

Disposition of Revenue
All revenue derived from the mining license tax is deposited in the General Fund except that payments received subsequent to a tax assessment are deposited in the Constitutional Budget Reserve Fund (CBRF).

History
The mining license tax dates back to 1913 and has been restructured several times over the years. The original mining license tax, enacted in 1913, imposed a .5% tax on mining net income over $5,000. There was no tax on net income less than $5,000.

In 1915, the territorial legislature increased the tax rate to 1%. The tax-free net income base remained at $5,000.

In 1927, the tax-free net income base was increased to $10,000 and a three-tier tax rate structure was adopted with rates ranging from 1% to 1.75% for net income over $1 million.

In 1935, the territorial legislature restructured the tax to a eight-tier tax structure with rates ranging from .75% to 4% for net income over $1 million. The tax-free net income base was decreased to $5,000.

In 1937, the tax-free net income base was eliminated and all net income was subject to tax. A nine-tier tax structure was adopted with tax rates ranging from .75% to 8% for net income over $1 million.

In 1947, the mining license tax was restructured by reinstating the tax-free net income base ($1,000) and restructuring the tax rates to a five-tier structure with rates ranging from 4% to 8% for net income over $100,000.

In 1951, the 3½ year exemption was enacted whereby new mining operations are exempt from mining tax for a period of 3 ½ years from the date of production.

In 1953, the tax-free net income base was increased to $10,000 and rates changed to range from 3% to 7% for net income over $100,000.

In 1955, the rate structure as it exists today was adopted.

In 1987, the Alaska education tax credit program was enacted allowing for a tax credit up to $100,000.

In 1991, the Alaska education credit was restructured and the maximum amount was increased to $150,000.

In 1995, the legislature authorized the minerals exploration incentive credit. The credit is limited to $20 million and may be applied against 50% of mining license liabilities over a 15-year period.

FY 96 Statistics

Tax Collections	
General Fund	$480,842
CBRF	$32,372
Number of Returns	329
Number of Taxpayers	289
Program Cost	$36,967
Staffing *(full-time equivalent)*	.7

Motor Fuel Tax
AS 43.40

Description
The motor fuel tax is levied on motor fuel sold or transferred within Alaska. Motor fuel taxes are collected primarily from wholesalers and distributors who are licensed as "qualified dealers" with the department.

Rate

	Per Gallon
Highway	8¢
Marine	5¢
Aviation Gasoline	4.7¢
Jet Fuel	3.2¢

Returns
Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which sales were made. Taxpayers are allowed to deduct 1% of the tax due, limited to a maximum of $100, to cover expenses of accounting and filing returns.

Refunds
Consumers may claim a refund for the full tax rate if used for exempt purposes, or the difference between the tax rate and 2¢ per gallon if used off-highway.

Exemptions
In addition to sales between qualified dealers, the following end-use sales are exempt from motor fuel tax:

Heating fuel
Federal and state agencies
Foreign flights (jet fuel)
Exports
Power plants/utilities
Charitable institutions
Gasohol (fuel at least 10% alcohol)

Disposition of Revenue
All revenue derived from motor fuel taxes is deposited in the General Fund. Revenue

Table 9 - Taxable Motor Fuel Gallons Sold in Alaska

For the Fiscal Year Ended June 30, 1996

	Highway		Aviation		Marine		
	Gasoline	Diesel	Gasoline	Jet Fuel	Gasoline	Diesel	Total
Gross Gallons Sold	267,311,452	446,269,351	21,405,846	731,782,166	10,981,571	168,028,288	1,645,778,674
Less Exemptions*	(100,527,080)	(223,416,371)	(455,151)	(506,659,274)	(257,379)	(10,233,249)	(841,548,504)
Fuel Conversions	(42,509)	(3,202,974)	480	251,763	46,351	2,946,889	0
Total Taxable Gallons	**166,741,863**	**219,650,006**	**20,951,175**	**225,374,655**	**10,770,543**	**160,741,928**	**804,230,170**
Tax Rate	0.08	0.08	0.047	0.032	0.05	0.05	*Variable*
Gross Tax	**$13,339,349**	**$17,572,000**	**$984,702 ***	**$7,214,478 ***	**$538,527**	**$8,037,096**	**47,686,153**
Less Off-Highway Refunds							
Gallons Used Off-Highway	928,925	163,063,302	0	0	31,760	2,013,656	166,037,643
Refund Rate	(0.06)	(0.06)	N/A	N/A	(0.03)	(0.03)	*Variable*
Total Off-Highway Refunds	**(55,736)**	**(9,783,798)**	**0**	**0**	**(953)**	**(60,410)**	**(9,900,896)**
Net Tax (Gross Tax Less Refunds)	**$13,283,614**	**$7,788,202**	**$984,702**	**$7,214,478**	**$537,574**	**$7,976,687**	**$37,786,257**
Timely Filing Deductions	(27,392)	(17,403)	(2,606)	(11,250)	(869)	(12,902)	(72,422)
Net Collections	***$13,256,222***	***$7,770,799***	***$982,096***	***$7,203,228***	***$536,705***	***$7,963,785***	***$37,712,835***

Detail of Exemptions (in Gallons)

	Highway		Aviation		Marine		
Exempt Gallons	Gasoline	Diesel	Gasoline	Jet Fuel	Gasoline	Diesel	Total
Foreign Flights	0	0	157,562	346,346,951	0	0	346,504,513
Heating Fuel	17,611	150,334,664	0	53,950	0	1,388,863	151,795,088
Exported	15,824,403	21,234,560	4,300	75,083,186	4,671	0	112,151,120
Gasohol	79,326,875	0	0	0	0	0	79,326,875
Federal Government	1,574,502	4,455,092	177,576	59,617,647	106,606	3,083,065	69,014,488
Public Utilities	229,545	28,032,636	0	0	2,489	5	28,264,675
State andLocal Governments	3,101,879	14,152,031	110,692	67,980	139,373	5,700,289	23,272,244
Domestic Flights - NonAlaska Air Miles[1]	0	0	0	17,038,206	0	0	17,038,206
Foreign Trade Zone[2]	0	0	0	8,451,354	0	0	8,451,354
Oil and Gas Operations[3]	0	2,731,190	0	0	0	0	2,731,190
Exempt Power Plants	297,220	1,596,140	0	0	0	0	1,893,360
Charitable Institutions	125,348	660,768	5,569	0	0	0	838,010
Other	17,787	199,683	(548)	0	4,184	42,141	235,859
Losses	11,910	19,607	0	0	5	0	31,522
Total Exempt Gallons	**100,527,080**	**223,416,371**	**455,151**	**506,659,274**	**257,379**	**10,233,249**	**841,548,504**
Tax Rate	0.08	0.08	0.047	0.032	0.05	0.05	*Variable*
Tax Equivalent	**$8,042,166**	**$17,873,310**	**$21,396 ***	**$16,210,608 ***	**$12,869**	**$511,662**	**$42,672,011**

[1]Fuel claimed by taxpayers under their interpretation of the foreign flight exemption. These claims are under dispute with the department.

[2]Fuel voluntarily reported on tax returns. Since fuel imported through the FTZ is not subject to tax, importers are not currently required to report FTZ fuel. Total FY 96 FTZ imports are estimated at 30.9 million gallons based on information received from the Port of Anchorage.

[3]Exemption granted by Department of Revenue as authorized under AS 43.40.100(K) and 15 AAC 40.020(c)(18). This exemption category is for fuel used in conjunction with oil and gas drilling operations.

* Includes gallons refunded at the old tax rates in effect prior to tax rate increases. Effective September 27, 1994, rates increased as follows: aviation gasoline from 4¢ to 4.7¢ and jet fuel from 2.5¢ to 3.2¢ per gallon.

from each category is separately accounted for in the division's tax accounting system.

Sixty percent of taxes attributable to aviation fuel sales at municipally owned or operated airports are shared to respective municipalities. Since most aviation fuel is sold at Anchorage and Fairbanks international airports only a small portion of aviation fuel is shared to municipalities.

History

The motor fuel tax dates back to 1945 when a tax of 1¢ per gallon was imposed on all motor fuel. Over time, the legislature enacted separate tax rates for each of the fuel categories as they exist today. Motor fuel tax rates have changed as follows:

Highway	*Per Gallon*
1945	1¢
1947	2¢
1955	5¢
1960	7¢
1961	8¢
1964	7¢
1970	8¢
Marine	
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢
1971	4¢
1977	5¢
Aviation Gasoline	
1945	1¢
1947	2¢
1955	3¢
1968	4¢
1994	4.7¢
Jet Fuel	
1957	1.5¢
1968	2.5¢
1994	3.2¢
Bunker Fuel	
1994*	1¢

* Rate applies only after $205,000 of taxes attributable to bunker fuel have been collected. Otherwise, the rate is 5¢ per gallon. This provision sunsets June 30, 1998.

FY 96 Statistics

Tax Collections *(including penalties and interest)*	$37,740,055
Number of Returns	1,982
Number of Taxpayers	148
Number of Refunds	518
Number of Refund Claimants	186
Program Cost	$299,713
Staffing *(full-time equivalent)*	5.5

Refer to Table 9 on page 34 for detailed statistics on gallons sold, exempted and refunded for off-highway use.

Regulatory Cost Charges
AS 42.05.253/AS 42.06.285

Description

Regulatory cost charges are user fees levied on utilities to fund APUC's costs of regulating utilities and pipeline carriers in Alaska. Charges are passed on to consumers by regulated utilities which collect and remit the charges to IEAD.

Rate

For FY 96, the following rates applied:

Electric Utilities	$.000322/kWh
Other Utilities and Pipeline Carriers	.582% of revenues

Returns

Quarterly returns and payment of RCCs are due on the 30th day following the calendar quarter. Utilities and carriers are also required to file a copy of their returns with APUC.

Exemptions

Utilities not regulated by APUC are exempt from the RCC program.

Disposition of Revenue

All revenue derived from the RCC program is deposited in the General Fund.

The legislature may make appropriations from the General Fund to fund APUC based on regulatory cost charges collected each fiscal year.

History

The Alaska legislature enacted the RCC program in 1992 to cover APUC's costs of regulating utilities. The RCC legislation provided for a sunset date of December 31, 1994. Rates went into effect through regulations which became effective November 1, 1992.

On December 31, 1994, the RCC program sunsetted as provided under the 1992 legislation that authorized the regulatory cost charges.

In the fall of 1994, APUC promulgated regulations which established RCC rates for FY 95 on an annualized basis. The regulations took effect December 1, 1994.

In 1995, the legislature reauthorized the RCC program which became effective June 26, 1995.

In the fall of 1995, APUC adopted regulations, effective October 1, 1995, to reestablish quarterly payment requirements.

FY 96 Statistics

Total RCC Collections	$1,868,258
Number of Returns	181
Number of Taxpayers	75
Program Cost	$13,602
Staffing *(full-time equivalent)*	.3

Note that regulatory cost charges collections are about half of the previous year's because RCC rates did not take effect until October 1995. FY 96 collections represent revenue from quarters ending December 31, 1995 and March 31, 1996. June 30, 1996 quarter payments were not due until July 31, 1996 (FY 97).

Salmon Enhancement Tax
AS 43.76

Description

The salmon enhancement tax is an elective tax levied on salmon sold in or exported from established regional aquaculture associations in Alaska. Commercial fishers in each region elect to pay a 1%, 2% or 3% tax based on the value of salmon sold in or exported from that region. Salmon enhancement taxes are paid to processors at the time of sale or paid directly to the Department for salmon exported from the region. Processors remit taxes collected from fishers to the department.

Rate

Commercial fishers elected tax rates for the following regional aquaculture associations:

Region	*Rate*	*Effective*
Southern Southeast	3%	1981
Northern Southeast	3%	1981
Cook Inlet	2%	1981
Prince William Sound	2%	1985
Kodiak	2%	1988
Chignik	2%	1991

Returns

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which purchases were made or salmon was exported.

Processors are required to file returns for payments which are made to fishers after the close of the fishing season. Returns for these payments are due with additional taxes by the last day of the month following the payment.

Exemptions

Salmon harvested under a special harvest area permit (typically, salmon harvested by salmon hatcheries) is exempt from the salmon enhancement tax.

Disposition of Revenue
All revenue derived from the salmon enhancement tax is deposited in the General Fund.

Under AS 43.76.025(c), the legislature may appropriate salmon enhancement tax revenue to provide financing for qualified regional aquaculture associations

History
The Alaska legislature adopted the Salmon Enhancement Act in 1980. The Act established statutes authorizing a 2% or 3% tax, upon election by commercial fishers within established aquaculture regions, on salmon transferred to buyers in Alaska. Commercial fishers in Southern and Northern Southeast aquaculture regions elected a 3% tax and Cook Inlet region elected a 2% tax.

In 1981, the legislature amended the Act to subject salmon exported from Alaska to the tax.

In 1985, commercial fishers in the Prince William Sound aquaculture region elected a 2% tax.

In 1989, the legislature amended statutes to allow for a 1% tax. Commercial fishers in the Kodiak aquaculture region elected a 2% tax.

In 1991, commercial fishers in the Chignik aquaculture region elected a 2% tax.

FY 96 Statistics

Tax Collections	$5,235,938
Number of Returns	736
Number of Taxpayers	165
Program Cost	$55,711
Staffing *(full-time equivalent)*	1.0

Salmon Marketing Tax
AS 43.76

Description
The salmon marketing tax is levied on all salmon sold in or exported from Alaska. Commercial fishers pay salmon marketing taxes to processors based on value of the salmon at the time of sale or fair market value when there is no arms length transaction. Taxes are paid directly to the department for salmon exported from the state. Processors remit taxes collected from fishers to the department.

Rate
The salmon marketing tax rate is 1% and is based on the ex-vessel value of the salmon.

Returns
Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which purchases were made or salmon was exported.

Exemptions
Salmon harvested under a special harvest area permit (typically, salmon harvested by salmon hatcheries) are exempt from the salmon marketing tax.

Disposition of Revenue
All revenue derived from the salmon marketing tax is deposited in the General Fund.

Under AS 43.76.120(d), the legislature may appropriate salmon marketing tax revenue to the Alaska Seafood Marketing Institute (ASMI) for the purpose of supporting its salmon marketing program.

History
The Alaska legislature enacted the 1% salmon marketing tax in 1993 to fund salmon marketing programs administered by ASMI.

The tax became effective July 1, 1993 and will sunset June 30, 1998 unless legislation is passed to extend it.

FY 96 Statistics

Tax Collections	$4,804,416
Number of Returns	922
Number of Taxpayers	199
Program Cost	$66,871
Staffing (full-time equivalent)	1.1

Seafood Marketing Assessment
AS 16.51.120

Description
The seafood marketing assessment is levied on seafood products processed, produced, or landed in Alaska. The assessment is also levied on unprocessed fisheries exported from Alaska. Taxes are collected from fisheries processors or landing taxpayers.

Rate
The seafood marketing assessment is .3% of the value of seafood products produced in or exported from Alaska.

Returns
Processors file calendar year returns which are due with payment of assessments on March 31 of the following year.

Taxpayers are required to file returns for post-season (bonus) payments made to fishers after the calendar year return was filed. Returns for these payments are due with additional assessments by the last day of the month following the payments.

Exemptions
Processors which purchase less than $50,000 of seafood products during a calendar year are exempt from the assessment.

Disposition of Revenue
All revenue derived from seafood marketing assessments is deposited in the General Fund.

History
Provisions for an elective seafood marketing assessment of .1%, .2% or .3% (elected by large processors in Alaska) was enacted by the Alaska legislature in 1981. In 1981, processors elected a .3% assessment to take effect in calendar year 1982.

In 1996, the legislature amended seafood marketing assessment statutes to be inclusive of fishery resources landed in Alaska. Prior to FY 96, revenue collected from the .3% portion of the old 3.3% landing tax rate was accounted for in a separate account designated as (landing tax) seafood marketing assessments. The legislation was retroactive to January 1, 1994.

FY 96 Statistics

Assessment Collections	$3,777,707
Number of Returns	352
Number of Taxpayers	237
Program Cost	$43,159
Staffing *(full-time equivalent)*	.7

Telephone Cooperative Tax
AS 10.25.550

Description
The telephone cooperative tax is levied on gross revenue of qualified telephone cooperatives under AS 10. Taxes are collected from cooperatives.

Rate
The telephone cooperative tax rate is based on the length of time in which the

cooperative has furnished telephone service to consumers as follows:

Length	*% of Revenue*
Less than 5 years	1%
5 years or longer	2%

Returns
Telephone cooperatives file calendar year returns which are due with payment before March 1 of the following year.

Exemptions
All telephone cooperatives are subject to the cooperative tax. The telephone cooperative tax is paid in lieu of corporation income taxes.

Disposition of Revenue
Revenue from telephone cooperative taxes is deposited in the General Fund.

Telephone cooperative taxes sourced from within municipalities are shared 100% to respective municipalities.

Telephone cooperative taxes sourced from outside of municipalities are retained by the state.

History
The telephone cooperative tax dates back to 1959 when the first Alaska legislature enacted the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. Telephone cooperative taxes were based on gross revenue and due by April 1 of the following year.

In 1960, the due date for paying taxes was changed to March 1.

FY 96 Statistics

Tax Collections	$1,163,366
Number of Returns	7
Number of Taxpayers	7
Program Cost	$252
Staffing *(full-time equivalent)*	<.1

Tobacco Tax
AS 43.50

Description
The tobacco tax is levied on cigarettes and tobacco products which are imported or transferred into Alaska. Tobacco taxes are collected primarily from licensed wholesalers and distributors.

Rate
Cigarettes are taxed at 14.5 mills per cigarette (29 cents per pack of 20).

Tobacco products, which include all tobacco products other than cigarettes, such as cigars and chewing tobacco, are taxed at 25% of wholesale price.

Returns
Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which sales were made. Taxpayers are allowed to deduct 1% of the tax due to cover expenses of accounting and filing returns.

Exemptions
Sales to facilities operated by one of the uniformed services of the United States or to Indians within an Indian reservations are exempt.

Disposition of Revenue
The cigarette tax (14.5 mills) is comprised of two components: base (pre-statehood) rate of 2.5 mills plus additional (post-statehood) rate of 12 mills. Tax and penalty revenue attributable to the 2.5 mills portion is deposited in the School Fund. All other cigarette tax revenue is deposited in the General Fund.

All tobacco products tax revenue is deposited in the General Fund.

All license fees are deposited in the School Fund.

Revenue deposited in the School Fund is dedicated for rehabilitation, construction, repair and associated insurance costs of state school facilities.

History

The tobacco tax dates back to 1949 when a tax was enacted imposing a tax of 3 cents per pack of cigarettes and 2 cents per ounce of tobacco. There were no exemptions provided in the tax legislation.

In 1951, the cigarette tax was increased to 5 cents per pack.

In 1955, the tobacco products tax was eliminated and although the cigarette tax rate remained at 5 cents, it was converted to a millage rate per cigarette (2.5 mills per cigarette). The 1% deduction provision was also enacted.

In 1961, the cigarette tax was increased to 4 mills per cigarette (8 cents per pack). Revenue from the additional 3 cents was dedicated to the General Fund.

In 1977, the legislature exempted military sales from the cigarette tax.

In 1983, Department of Revenue adopted regulations exempting sales of cigarettes to Indians within an Indian reservation from the cigarette tax.

In 1985, the cigarette tax was increased to 8 mills per cigarette (16 cents per pack).

In 1988, the tobacco products tax was enacted imposing a tax at 25% of the product wholesale price. Taxpayers were authorized to deduct 1% the tax due to cover accounting expenses.

In 1989, the cigarette tax was increased to 14.5 mills (29 cents per pack of 20).

FY 96 Statistics

Tax Collections	$16,766,371
License Fee Collections	$1,955
Number of Returns	558
Number of Taxpayers	45
Program Cost	$44,023
Staffing *(full-time equivalent)*	.8
Number of Taxable Cigarettes Sold	1,053,702,692
Total Wholesale Price of Tobacco Products Sold	$6,610,396

Unclaimed Property
AS 34.45

Description

Property is considered unclaimed when a holder has no record of an owner or knows the name of an owner but does not have a correct address. Unclaimed property statutes apply only to intangible and personal property.

Unclaimed property is considered abandoned after it remains unclaimed for a period of time (dormancy period). Following the dormancy period, holders are required to report and remit unclaimed property to the state. Dormancy periods vary by type of property as prescribed by statutes.

Before reporting property to IEAD, holders are required to make reasonable efforts in locating owners.

Unclaimed property is held in trust by the state until the property is claimed by its rightful owner. The state attempts to locate owners while property is held in trust. There is no statute of limitations for owners to claim property.

Most unclaimed property is in the form of cash (checking and savings accounts), stocks and bonds (including dividends) and safe-deposit contents. Other property includes utility deposits, traveler checks and wages.

Each year, Unclaimed Property receives thousands of names of persons who cannot be located by holders. In addition to year-round efforts to locate owners, Unclaimed property attempts to locate owners every winter by publishing their names in major Alaska newspapers.

Owners may file a petition at any time to claim properties held under the unclaimed property program. Upon verification, property is promptly returned to its rightful owner.

Unclaimed Property maintains an inventory of safe-deposit contents and other personal property submitted by holders under this program.

Following are abandonment periods for property commonly reported under the unclaimed property program.

Type of Property	*Years*
Safe deposit box contents	1
Utility deposits	1
Wages	1
Life insurance proceeds	2
Customer overpayments	5
Savings/Checking accounts	7
Stocks and bonds	7
Travelers checks	15

Reports

For 1996 and thereafter, holders are required to report and remit unclaimed property by November 1 each year. Prior to 1996, holders were required to report unclaimed property before November 1 but were not required to remit until May 1 of the following year. This took effect with legislation passed by the 1996 legislature.

Exemptions

The following properties are exempt from the unclaimed property program.

Unused airline tickets
Unemployment compensation overpayments
Permanent fund dividends
ANCSA (Native) corporation stocks

Disposition of Funds

All funds received through the unclaimed property program are deposited into the Unclaimed Property Trust account in the General Fund.

Because not all unclaimed property owners are located, amounts received from holders exceed refunds to owners. IEAD maintains a minimum balance in the trust account and periodically transfers excess funds to the General Fund. Since the program's inception, IEAD has transferred approximately $11 million to the General Fund.

History

In 1986, the Alaska legislature adopted the Uniform Unclaimed Property Act which went into effect September 7, 1986. Stocks issued by corporations organized under ANCSA were exempted from unclaimed property statutes.

In 1988, unused airline tickets were exempted retroactive to September 7, 1986.

In 1989, overpaid contributions by employers to the unemployment compensation fund were exempted retroactive to September 7, 1986.
In 1992, as part of the 1992 Budget Act (Ch 405 SLA 92), IEAD was ordered to privatize the unclaimed property program effective July 1, 1992. The program was not privatized because vendor proposals to a Request for Proposal issued by IEAD exceeded the state's budgeted costs for administering the program.

Also in 1992, permanent fund dividends were exempted effective April 1, 1992.

In 1996, provisions for simultaneous report and remit were enacted and the aggregate reporting amount was increased to $100. Insurance companies were put on the same reporting cycle as all other holders. Maximum percentages were established for fee finders: 20% for property less than $500; and 10% for property $500 or more.

FY 96 Statistics

	FY 96	*FY 95*	*FY 94*
Reports Received	1,569	1,369	1,642
Owner Names Reported	5,957	7,131	NA*
Owner Inquiries	4,408	4,368	5,256
Owners Refunded	1,178	1,015	1,330
Amount Refunded	$1,158,853	$754,045	$906,192

* *Data not available for FY 94.*

Program Cost	$220,041
Staffing *(full-time equivalent)*	4.1

Unclaimed Property Account Balance
As of June 30, 1996

Beginning Balance as of 6/30/95		$731,355
Add Deposits		2,485,202
Less Transfers and Refunds		
Transfer to General Fund		(1,906,600)
Refunds to Owners	(830,856)	
Refunds to Other States	(327,997)	
Total Refunds		(1,158,853)
Ending Balance as of 6/30/96		$ 151,104

Audit Program

Audit devoted approximately 20,000 staff hours to varied responsibilities within the department. The major emphasis was on corporation income tax which generated 63.6% of General Fund collections from the various tax programs.

Audit met and with some audits, exceeded expectations of their four year audit plan developed in FY 95. During FY 96, the group completed audits of 38 oil and gas tax returns, significantly reducing the division's inventory of unaudited returns. By FY 99, all oil and gas audits are planned to be completed within the three year statute of limitations for assessment (extensions were previously required).

While oil and gas audits are the most important work, Audit is responsible to promote voluntary compliance with all the tax programs administered by the division.

The group continued to emphasize audit efficiencies with large audits in order to focus more of the available audit resources on other tax types and special projects. The team audit approach, continual refinements in audit scope and audit planning, and improvements in time budgeting enabled the group to expand audit activity beyond large corporate taxpayers. Audit staff performed in-depth review of small and mid-sized corporate taxpayers, and audited selected returns for motor fuel tax and fisheries taxes.

In addition to core audit activity, the staff's professional expertise was brought to bear on a variety of special projects and overall division support. During FY 96 the staff:

- secured federal grant funds and administered the contract for the re-engineering of the motor fuel tax program. The objective of this project is to enhance compliance by the maximum use of computer technology and automated return examination with a minimum admini-strative burden on taxpayers.
- performed research and prepared fiscal note estimates on motor fuel taxes resulting from the establishment of a

Foreign Trade Zone at the Anchorage International Airport.

- designed tax corporate income tax forms to utilize the potential of the division's new tax accounting system (TAS).
- provided computer expertise to the division including network administration, hardware acquisitions and integration of the TAS system with the audit program.
- provided the Economic Research Group in the Oil and Gas audit Division with historical analysis and statistical data on a variety of tax topics.
- provided training in technical tax topics to various staff.

In addition to the above activities, Audit continued to commit significant time in support of the division's appeals staff in the resolution and litigation process.

FY 96 Statistics

Additional Tax Collections from Audits

Tax Type	*Collections*
Corporation Tax	
Oil and Gas	$103,269,900
Other	2,548,900
Total	**$105,818,800**

Appeals Program

Appeals heard cases related to all tax programs administered by the division. Inventories were proportionate to the number of returns filed under each tax program.

Appeals staff worked in cooperation with Department of Law to expedite the administrative appeal process, reduce aged inventories and resolve tax issues related to audit adjustments. As a result, Appeals settled appeals cases with taxpayers which covered 22 tax periods and generated payments of over $103.2 million.

All settlements resulted from audit assessments and their amounts are reflected within collections statistics under the Audit Program above. Amounts collected from settlements were deposited in CBRF.

In addition to informal conference and formal hearing functions, Appeals continued to provide technical assistance to the division on various operational and audit matters.

FY 96 Statistics

	*Tax Periods**	*Taxpayer Count*
Beginning Inventory	439	239
Plus New Cases	302	156
Less Closed Cases	(366)	(198)
Ending Inventory	375	197

* *Tax periods correspond to periodic tax return filing requirements of taxpayers. One taxpayer may have several tax periods in appeals at the same time.*

Appendices

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Change
Alcoholic Beverages *Tax on alcoholic beverages sold in Alaska*	AS 43.60	1937	Liquor 50¢/gallon	Liquor	1983	$5.60 per gallon	1983	Increased alcohol tax rates
		1933	Wine 5¢/gallon	Wine	1983	$.85 per gallon		
			Beer 5¢/gallon	Beer	1983	$.35 per gallon		
Coin-Operated Device *Tax on coin-operated devices*	AS 43.35	1941	12½% of gross receipts on all machines	Class 1 Device	1960	$48 per device	1960	Decreased length of residency for distributors from 3 to 1 year
				Class 2 Device	1960	$120 per device		
				Class 3 Device	1960	$240 per device		
Corporation Net Income *Tax on corporate net income*	AS 43.20	1949	10% of federal income tax (for individuals and corporations)	Applies only to corporations	1982	1% to 9.4% of net income	1995	Minerals exploration incentive credit enacted
Electric Cooperative *Tax on electric services provided by cooperatives*	AS 10.25.555	1959	1% gross revenue if operating < 5 years 2% gross revenue if operating ≥ 5 years	Mills per kWh	1980	$.00025/kWh if in operation < 5 years $.0005/kWh if in operation ≥ 5 years	1980	Tax based on kWh rather than revenue
Estate *Tax on estate transfers*	AS 43.31	1919	(Inheritance Tax) Based on value on property transferred	Tax on transfer of estates	1970	State tax credit on federal return	1991	Provided for compound interest on tax per AS 43.05.225

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Change
Fisheries Business *Tax on fisheries resources processed in or exported from Alaska*	AS 43.75	1913	7¢ per case of canned salmon Other - dollar amount based on revenues	Floating[1]	1979	5% of value	1995	Provision for reduced surety bond amount for small processors
				Cannery[1]	1979	4.5% of value		
				Shore-based[1]	1979	3% of value		
				Floating[2]	1979	3% of value		
				Shore-based[2]	1979	1% of value		
Fishery Resource Landing *Tax on processed fishery resources landed in Alaska*	AS 43.77	1993	3.3% of unprocessed value	Tax on unprocessed value	1996	3% of value[1]	1996	Tax split: 3% to landing tax and .3% to ASMI. 1% for developing species. Credits adopted.
						1% of value[2]		
Mining License *Tax on net income of mining activities*	AS 43.65	1913	.5% on net income > $5,000	Tax on net income of mining activities	1955	Tax on Net Income: No tax if ≤ $40,000 3% if >$40,000 ≤$50,000 5% if >$50,000 ≤$100,000 7% if > $100,000	1995	Minerals exploration incentive credit enacted
Motor Fuel *Tax on fuel sold in or brought into Alaska*	AS 43.40	1945	1¢ per gallon on all fuels	Highway	1970	8¢ per gallon	1994	Aviation fuel taxes increased by .7¢ per gallon
				Marine	1977	5¢ per gallon		
				Aviation Gasoline	1994	4.7¢ per gallon		
				Jet Fuel	1994	3.2¢ per gallon		

[1] Established Species [2] Developing Species

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Change
Regulatory Cost Charges *Cost charge on utilities and pipeline activities*	AS 42.05.253 Utilities	1992	Electricity $.000626/kWh	Rate per KwH	1995	$.000322 per kWh	1995	RCC program re-enacted
			Other Utilities .653% Revenues	Rate x Revenues		.582% of revenues		
	AS 42.06.285 Pipelines		.653% Revenues	Rate x Revenues		.582% of revenues		
Salmon Enhancement *Tax on value of salmon paid by fishers to fund salmon enhancement programs*	AS 43.76	1980	Voluntary tax of either 1%;2% or 3% of value as elected by fishers in a region	South Southeast North Southeast	1980	3% of value	1991	Chignik elected 2% tax
				Cook Inlet	1980	2% of value		
				Pr. William Sound	1985	2% of value		
				Kodiak	1989	2% of value		
				Chignik	1991	2% of value		
Salmon Marketing *Tax on value of salmon processed in or exported from Alaska*	AS 43.76	1993	1% of value	1% of value	N/A	1% of value	1993	Salmon marketing tax enacted
Seafood Marketing *Assessment on value of fisheries produced by processors*	AS 16.51.120	1981	Voluntary assessment of either .1%; .2% or .3% of value as elected by processors	Assessment on value of fisheries purchased over $50,000	1981	.3% of value	1996	Assessment applies to fishery resources subject to landing tax.

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Change
Telephone Cooperative *Tax on telephone services provided by cooperatives*	AS 10.25.550	1959	1% gross revenues if operating < 5 years 2% gross revenue if operating ≥ 5 years	% of gross revenues	N/A	1% gross revenues if operating < 5 years 2% gross revenues if operating ≥ 5 years	1980	Broke out telephone from electric cooperative tax
Tobacco *Tax on cigarettes and tobacco sold in Alaska*	AS 43.50	1949	Cigarettes 3¢ per pack	Cigarettes	1989	14.5 mills/cigarette (29¢ per pack)	1992	Provision to revoke or suspend licenses adopted
			Tobacco 2¢ per ounce *(Repealed in 1955)*	Tobacco	1988	Tax on tobacco reenacted - 25% of price		
Business License *Tax on % of gross business receipts*	AS 43.70	1949	$25 license fee plus .5% › $20,000 plus .25% › $100,000	Repealed	1978	N/A	1978	Tax repealed effective 1/1/79
Individual Income *Tax on income based on federal AGI*	AS 43.20	1949	10% of Federal income tax paid	Repealed	1980	N/A	1980	Tax repealed retroactive to 1979
School *Dollar amount per person tax*	AS 43.45	1919	$5 tax upon each male person	Repealed	1980	N/A	1980	Tax repealed retroactive to 1980

Appendix B

Comparison of Alcohol Tax Rates - Liquor
January 1996

State	Rate ($ per gallon)	Rank*	State	Rate ($ per gallon)	Rank*
Alabama	Footnote 1	N/A	Montana	Footnote 1	N/A
ALASKA	**5.60**	**5**	Nebraska	3.00	18
Arizona	3.00	18	Nevada	2.05	28
Arkansas	2.50	22	New Hampshire	Footnote 1	N/A
California	3.30	16	New Jersey	4.40	10
Colorado	2.28	27	New Mexico	6.06	3
Connecticut	4.50	9	New York	6.44	2
Delaware	5.46	7	North Carolina	Footnote 1	N/A
Florida	6.50	1	North Dakota	2.50	22
Georgia	3.79	14	Ohio	Footnote 1	N/A
Hawaii	5.81	4	Oklahoma	5.56	6
Idaho	Footnote 1	N/A	Oregon	Footnote 1	N/A
Illinois	2.00	29	Pennslyvania	Footnote 1	N/A
Indiana	2.68	21	Rhode Island	3.75	15
Iowa	Footnote 1	N/A	South Carolina	2.72	20
Kansas	2.50	22	South Dakota	3.93	13
Kentucky	1.92	31	Tennesee	4.00	12
Louisiana	2.50	22	Texas	2.40	26
Maine	Footnote 1	N/A	Utah	Footnote 1	N/A
Maryland	1.50	32	Vermont	Footnote 1	N/A
Massachusetts	4.05	11	Virginia	Footnote 1	N/A
Michigan	Footnote 1	N/A	Washington	Footnote 1	N/A
Minnesota	5.03	8	West Virginia	Footnote 1	N/A
Mississippi	Footnote 1	N/A	Wisconsin	3.25	17
Missouri	2.00	29	Wyoming	Footnote 1	N/A
Federal	**13.50**	**N/A**	**U.S. Median**	**3.25**	**N/A**

Footnote 1 - Sales are through state stores. Revenue is generated from various taxes, fees and net profits.

* Out of 32 states which levy a per gallon tax, highest to lowest.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators, January 1996*

Appendix B

Comparison of Alcohol Tax Rates - Wine
January 1996

State	Rate ($ per gallon)	Rank*	State	Rate ($ per gallon)	Rank*
Alabama	1.70	3	Montana	1.06	9
ALASKA	**.85**	**15**	Nebraska	.75	18
Arizona	.84	16	Nevada	.40	34
Arkansas	.75	18	New Hampshire	Footnote 1	N/A
California	.20	43	New Jersey	.70	21
Colorado	.43	33	New Mexico	1.70	3
Connecticut	.60	23	New York	.19	45
Delaware	.90	12	North Carolina	.79	17
Florida	2.25	1	North Dakota	.50	29
Georgia	1.51	5	Ohio	.32	38
Hawaii	1.32	7	Oklahoma	.72	20
Idaho	.45	32	Oregon	.67	22
Illinois	.23	42	Pennslyvania	Footnote 1	N/A
Indiana	.47	31	Rhode Island	.60	23
Iowa	1.75	2	South Carolina	.90	12
Kansas	.30	39	South Dakota	.93	11
Kentucky	.50	29	Tennesee	1.10	8
Louisiana	.11	46	Texas	.20	43
Maine	.60	23	Utah	Footnote 1	N/A
Maryland	.40	34	Vermont	.55	26
Massachusetts	.55	26	Virginia	1.51	5
Michigan	.51	28	Washington	.87	14
Minnesota	.30	39	West Virginia	1.00	10
Mississippi	.35	37	Wisconsin	.25	41
Missouri	.36	26	Wyoming	Footnote 1	N/A
Federal	**1.07**	**N/A**	**U.S. Median**	**.73**	**N/A**

Footnote 1 - Sales are through state stores. Revenue is generated from various taxes, fees and net profits.

* Out of 46 states which impose a per gallon tax, highest to lowest.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators, January 1996*

Appendix B

Comparison of State Alcohol Tax Rates - Beer
January 1996

State	Rate ($ per gallon)	Rank	State	Rate ($ per gallon)	Rank
Alabama	.53	3	Montana	.14	36
ALASKA	**.35**	**10**	Nebraska	.23	18
Arizona	.16	29	Nevada	.09	41
Arkansas	.23	18	New Hampshire	.35	10
California	.20	21	New Jersey	.16	29
Colorado	.08	43	New Mexico	.41	8
Connecticut	.19	23	New York	.21	20
Delaware	.16	29	North Carolina	.48	4
Florida	.48	4	North Dakota	.16	29
Georgia	.48	4	Ohio	.18	26
Hawaii[(1)]	.90	1	Oklahoma	.40	9
Idaho	.15	33	Oregon	.08	43
Illinois	.07	47	Pennslyvania	.08	43
Indiana	.12	38	Rhode Island	.10	40
Iowa	.19	23	South Carolina	.77	2
Kansas	.18	26	South Dakota	.27	15
Kentucky	.08	43	Tennesee	.13	37
Louisiana	.32	14	Texas	.19	23
Maine	.35	10	Utah	.35	10
Maryland	.09	41	Vermont	.27	15
Massachusetts	.11	39	Virginia	.26	17
Michigan	.20	21	Washington	.15	33
Minnesota	.15	33	West Virginia	.18	26
Mississippi	.43	7	Wisconsin	.06	48
Missouri	.06	48	Wyoming	.02	50
Federal	**.58**	**N/A**	**U.S. Median**	**.19**	**N/A**

[(1)] Tax rate scheduled to increase to 91¢ on July 1, 1996.

SOURCE: *Federation of Tax Administrators, January 1996*

Appendix B

Comparison of Highway Gasoline Tax Rates
May 1996

State	Rate (¢ per gallon)	Other Tax[1] (¢ per gallon)	Total (¢ per gallon)	Rank	Last Change
Alabama	16	4.4	20.4	27	6/1/92
ALASKA	**8**	**0**	**8**	**50**	**5/28/70**
Arizona	18	1	19	36	7/1/90
Arkansas	18.5	0.2	18.7	39	4/1/91
California	18	11.9	29.9	4	1/1/94
Colorado	22	0	22	20	1/1/91
Connecticut[2]	36	4.3	40.3	1	4/1/96
Delaware	23	0	23	17	1/1/95
Florida	12.5	13.5	26	10	1/1/95
Georgia	7.5	4.4	11.9	48	7/1/71
Hawaii	16	19.4	35.4	2	7/1/91
Idaho	25	0	25	12	4/1/96
Illinois	19	5.7	24.7	13	1/1/90
Indiana	15	4.2	19.2	35	4/1/88
Iowa	20	1	21	25	1/1/89
Kansas	18	1	19	36	7/1/92
Kentucky	15	1.4	16.4	45	7/15/94
Louisiana	20	0	20	29	1/1/90
Maine	19	0	19	36	7/17/91
Maryland	23.5	0	23.5	15	5/1/92
Massachusetts	21.5	0	21.5	23	1/1/91
Michigan	15	6	21	25	1/1/84
Minnesota	20	2	22	20	5/1/88
Mississippi	18	2.4	20.4	27	7/1/93
Missouri	17	0	17	42	4/1/96
Montana	27	0.8	27.8	7	7/1/94
Nebraska	25.7	0.8	26.5	9	4/1/96
Nevada	23	7.2	30.2	3	10/1/92
New Hampshire	18	1.7	19.7	33	6/7/93
New Jersey	10.5	4	14.5	47	7/1/88
New Mexico	17	1	18	40	7/1/95
New York	8	21.9	29.9	4	6/1/94
North Carolina[3]	22	0.3	22.3	19	1/1/95
North Dakota	20	0	20	29	1/1/96
Ohio	22	0	22	20	7/1/93
Oklahoma	17	0	17	42	7/1/89
Oregon	24	0	24	14	1/1/93
Pennslyvania	12	11.4	23.4	16	9/1/91
Rhode Island	28	1	29	6	7/8/94
South Carolina	16	0.8	16.8	44	1/1/89
South Dakota	18	2	20	29	4/1/88
Tennesee	20	1.4	21.4	24	4/1/89
Texas	20	0	20	29	10/1/91
Utah	19	0.5	19.5	34	4/1/87
Vermont	15	1	16	46	7/1/89
Virginia	17.5	0.2	17.7	41	7/1/92
Washington	23	0	23	17	4/1/91
West Virginia	20.5	4.9	25.4	11	5/1/93
Wisconsin	23.7	3	26.7	8	4/1/96
Wyoming	9	0	9	49	7/1/89
Federal	**18.3**	**N/A**	**18.3**	**N/A**	**1/1/96**
U.S. Median	**17.6**	**4.9**	**22.5**	**N/A**	**N/A**

(1) Includes state sales tax, gross receipts tax and underground storage tank taxes. State sales taxes are based on the national retail price of gasoline as of May 10, 1996.
(2) Tax rate will increase to 37¢ on 7/1/96; 38¢ on 10/1/96; and 39¢ on 1/1/97.
(3) Tax rate will decrease to 21.7¢ on 7/1/96.

SOURCE: *American Petroleum Institute*, *A Summary of Nationwide and State-by-State Motor Fuel Taxes as of May 1996*.

Appendix B

Comparison of Aviation Fuel Tax Rates

State	Jet Fuel (¢ per gallon)	Rank[1]	Aviation Gas (¢ per gallon)	Rank[2]	Dedicated to Aviation
Alabama	1.2	27	3.6	31	Yes
ALASKA	**3.2**	**17**	**4.7**	**28**	No
Arizona	1.5	26	5.0	22	Yes
Arkansas	Sales Tax	N/A	Sales Tax	N/A	Yes
California	2.0	22	18.0	2	Yes
Colorado	4.0	13	6.0	16	Yes
Connecticut	None	N/A	None	N/A	N/A
Delaware	None	N/A	None	N/A	N/A
Florida	6.9	3	6.9	15	Yes
Georgia	Sales Tax	N/A	1.0	36	No
Hawaii	1.0	28	1.0	36	Yes
Idaho	4.5	12	5.5	20	Yes
Illinois	Sales Tax	N/A	Sales Tax	N/A	No
Indiana	Sales Tax	N/A	15.0	4	No
Iowa	3.0	18	8.0	11	No
Kansas	Sales Tax	N/A	Sales Tax	N/A	No
Kentucky	Sales Tax	N/A	15.0	4	No
Louisiana	Sales Tax	N/A	Sales Tax	N/A	Yes
Maine	3.4	16	19.0	1	No
Maryland	None	N/A	7.0	14	No
Massachusetts	5.0	7	10.0	9	Yes
Michigan	3.0	18	3.0	33	Yes
Minnesota	5.0	7	5.0	22	Yes
Mississippi	5.25	6	6.0	16	Yes
Missouri	Sales Tax	N/A	9.0	10	Yes
Montana	3.0	18	3.0	33	Yes
Nebraska	3.0	18	5.0	22	Yes
Nevada	1.0	28	10.5	8	Yes
New Hampshire	2.0	22	4.0	29	No
New Jersey	2.0	22	12.5	7	Yes
New Mexico	Sales Tax	N/A	17.0	3	Yes
New York	8.0	1	8.0	11	No
North Carolina	Sales Tax	N/A	Sales Tax	N/A	No
North Dakota	8.0	1	8.0	11	Yes
Ohio	Sales Tax	N/A	Sales Tax	N/A	No
Oklahoma	0.08	32	0.08	39	No
Oregon	0.5	31	3.0	33	Yes
Pennslyvania	1.7	25	3.5	32	Yes
Rhode Island	None	N/A	None	N/A	N/A
South Carolina	Sales Tax	N/A	Sales Tax	N/A	No
South Dakota	4.0	13	6.0	16	Yes
Tennesee	1.0	28	1.0	36	Yes
Texas	None	N/A	None	N/A	N/A
Utah	4.0	13	4.0	29	Yes
Vermont	Sales Tax	N/A	15.0	4	No
Virginia	5.0	7	5.0	22	Yes
Washington	5.5	5	5.5	20	Yes
West Virginia	4.85	11	4.85	27	Yes
Wisconsin	6.0	4	6.0	16	No
Wyoming	5.0	7	5.0	22	Yes
Federal	**4.3**	**N/A**	**19.3**	**N/A**	**Yes**
U.S. Median	**3.5**	**N/A**	**5.2**	**N/A**	**N/A**

[1]Out of 32 states with tax rates
[2]Out of 39 states with tax rates

SOURCE: *National Business Aircraft Association, Inc.*
1996-97 State Aviation Tax Report

Appendix B

Comparison of Cigarette Tax Rates
January 1997

State	Rate (¢ per pack)	Rank	State	Rate (¢ per pack)	Rank
Alabama	16.5	42	Montana	18	38
ALASKA	**29**	**28**	Nebraska	34	22
Arizona	58	6	Nevada	35	21
Arkansas	31.5	25	New Hampshire	25	30
California	37	18	New Jersey	40	15
Colorado	20	36	New Mexico	21	35
Connecticut	50	8	New York	56	7
Delaware	24	31	North Carolina	5	48
Florida	33.9	23	North Dakota	44	10
Georgia	12	45	Ohio	24	31
Hawaii	60	5	Oklahoma	23	34
Idaho	28	29	Oregon(1)	38	17
Illinois	44	10	Pennslyvania	31	26
Indiana	15.5	43	Rhode Island	61	4
Iowa	36	19	South Carolina	7	47
Kansas	24	31	South Dakota	33	24
Kentucky	3	49	Tennesee	13	44
Louisiana	20	36	Texas	41	14
Maine	39	16	Utah	30.5	27
Maryland	36	19	Vermont	44	10
Massachusetts	76	2	Virginia	2.5	50
Michigan	75	3	Washington	82.5	1
Minnesota	48	9	West Virginia	17	40
Mississippi	18	38	Wisconsin	44	10
Missouri	17	40	Wyoming	12	45
Federal	**24**	**N/A**	**U.S. Median**	**31.5**	**N/A**

(1) Rate increases to 68¢ effective February 1, 1997

SOURCE: *Federation of Tax Administrators, January 1996; State Tax Notes, November 18, 1996*

Appendix B

Comparison of Tobacco Products Tax Rates
January 1997

State	Rate	State	Rate
Alabama	.6¢ - 4.4¢/ounce	Montana	12.5% Wholesale Price
ALASKA	**25% Wholesale Price**	Nebraska	15% Wholesale Price
Arizona	6.5¢/ounce	Nevada	30% Wholesale Price
Arkansas	23% Manufacturer Price	New Hampshire	25.2% Wholesale Price
California	31.2% Wholesale Price	New Jersey	24% Wholesale Price
Colorado	20% Manufacturer Price	New Mexico	25% Product Value
Connecticut	20% Wholesale Price	New York	20% Wholesale Price
Delaware	15% Wholesale Price	North Carolina	2% Manufacturer Price
Florida	25% Wholesale Price	North Dakota	28% Wholesale Price
Georgia	13% Wholesale Price	Ohio	17% Wholesale Price
Hawaii	40% Wholesale Price	Oklahoma	30% - 40% Factory List Price
Idaho	40% Wholesale Price	Oregon(1)	35% Wholesale Price
Illinois	20% Wholesale Price	Pennslyvania	N/A
Indiana	15% Wholesale Price	Rhode Island	20% Wholesale Price
Iowa	22% Wholesale Price	South Carolina	5% - 36% Manufacturer Price
Kansas	10% Manufacturer Price	South Dakota	N/A
Kentucky	N/A	Tennesee	6% Wholesale Price
Louisiana	33% Manufacturer Price	Texas	35.2% Manufacturer Price
Maine	62% Wholesale Price	Utah	35% Manufacturer Price
Maryland	N/A	Vermont	41% Manufacturer Price
Massachusetts	25% Wholesale Price	Virginia	N/A
Michigan	16% Wholesale Price	Washington	74.9% Wholesale Price
Minnesota	35% Wholesale Price	West Virginia	N/A
Mississippi	15% Manufacturer Price	Wisconsin	20% Wholesale Price
Missouri	10% Manufacturer Price	Wyoming	N/A
Federal	**12¢/pound**	**U.S. Median**	**N/A - different tax structures**

Tobacco products include chewing tobacco and snuff.

N/A - Not Applicable

(1) Rate increases to 65% effective February 1, 1997

SOURCE: *Federation of Tax Administrators, January 1996*

Appendix B

Comparison of Corporation Income Tax Rates
January 1996

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	5.0	Flat Rate		1
ALASKA	**1.0 - 9.4**	**$10,000**	**$90,000**	**10**
Arizona	9.0	Flat Rate		1
Arkansas	1.0 - 6.5	$3,000	$100,000	6
California	9.3	Flat Rate		1
Colorado	5.0	Flat Rate		1
Connecticut	10.75	Flat Rate		1
Delaware	8.7	Flat Rate		1
Florida	5.5	Flat Rate		1
Georgia	6.0	Flat Rate		1
Hawaii	4.4 - 6.4	25,000	100,000	3
Idaho	8.0	Flat Rate		1
Illinois	7.3	Flat Rate		1
Indiana	7.9	Flat Rate		1
Iowa	6.0 - 12.0	25,000	250,000	4
Kansas	4.0	Flat Rate		1
Kentucky	4.0 - 8.25	25,000	250,000	5
Louisiana	4.0 - 8.0	25,000	200,000	5
Maine	3.5 - 8.93	25,000	250,000	4
Maryland	7.0	Flat Rate		1
Massachusetts	9.5	Flat Rate		1
Michigan	*Not Based on Income*			N/A
Minnesota	9.8	Flat Rate		1
Mississippi	3.0 - 5.0	5,000	10,000	3
Missouri	6.25	Flat Rate		1
Montana	6.75	Flat Rate		1
Nebraska	5.58 - 7.81	50,000		2
Nevada	*No Corporation Income Tax*			N/A
New Hampshire	7.0	Flat Rate		1
New Jersey	7.5	Flat Rate		1
New Mexico	4.8 - 7.6	500,000	1,000,000	3
New York	9.0	Flat Rate		1
North Carolina	7.75	Flat Rate		1
North Dakota	3.0 - 10.5	3,000	50,000	6
Ohio	5.1 - 8.9	50,000		2
Oklahoma	6.0	Flat Rate		1
Oregon	6.6	Flat Rate		1
Pennslyvania	9.99	Flat Rate		1
Rhode Island	9.0	Flat Rate		1
South Carolina	5.0	Flat Rate		1
South Dakota	*No Corporation Income Tax*			N/A
Tennesee	6.0	Flat Rate		1
Texas	*Tax Based on Capital and Surplus*			N/A
Utah	5.0	Flat Rate		1
Vermont	5.5 - 8.25	10,000	250,000	4
Virginia	6.0	Flat Rate		1
Washington	*No Corporation Income Tax*			N/A
West Virginia	9.0	Flat Rate		1
Wisconsin	7.9	Flat Rate		1
Wyoming	*No Corporation Income Tax*			N/A
Federal	**15.0 - 35.0**	**22,100**	**10,000,000**	**4**

SOURCE: *Federation of Tax Administrators, January 1996*

Appendix B

Comparison of Individual Income Tax Rates*
January 1996

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	2.0 - 5.0	500	3,000	3
ALASKA	*No State Income Tax*			N/A
Arizona	3.0 - 5.6	10,000	150,000	5
Arkansas	1.0 - 7.0	3,000	25,000	6
California	1.0 - 11.0	4,831	219,872	8
Colorado	5.0	Flat Rate		1
Connecticut	3.0 - 4.5	2,250	2,250	2
Delaware	0.0 - 7.1	2,000	30,000	8
Florida	*No State Income Tax*			N/A
Georgia	1.0 - 6.0	750	7,000	6
Hawaii	2.0 - 10.0	1,500	20,500	8
Idaho	2.0 - 8.2	1,000	20,000	8
Illinois	3.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.4 - 9.98	1,081	48,645	9
Kansas	4.4 - 7.75	20,000	30,000	3
Kentucky	2.0 - 6.0	3,000	8,000	5
Louisiana	2.0 - 6.0	10,000	50,000	3
Maine	2.0 - 8.5	4,150	16,500	5
Maryland	2.0 - 5.0	1,000	3,000	5
Massachusetts	5.95	Flat Rate		1
Michigan	4.4	Flat Rate		1
Minnesota	6.0 - 8.5	15,750	52,790	3
Mississippi	3.0 - 5.0	5,000	10,000	3
Missouri	1.5 - 6.0	1,000	9,000	10
Montana	2.0 - 11.0	1,800	64,600	10
Nebraska	2.62 - 6.99	2,400	26,500	4
Nevada	*No State Income Tax*			N/A
New Hampshire	*Tax Limited to Dividends and Interest*			N/A
New Jersey	1.4 - 6.35	20,000	75,000	5
New Mexico	1.7 - 8.5	5,200	41,600	7
New York	4.0 - 7.125	5,500	13,000	5
North Carolina	6.0 - 7.75	12,750	60,000	3
North Dakota	2.67 - 12.0	3,000	50,000	8
Ohio	.743 - 7.5	5,000	200,000	9
Oklahoma	.5 - 7.0	1,000	10,000	8
Oregon	5.0 - 9.0	2,150	5,400	3
Pennslyvania	2.8	Flat Rate		1
Rhode Island	*27.5% Federal Tax Liability*			N/A
South Carolina	2.5 - 7.0	2,250	11,250	6
South Dakota	*No State Income Tax*			N/A
Tennesee	*Tax Limited to Dividends and Interest*			N/A
Texas	*No State Income Tax*			N/A
Utah	2.55 - 7.2	750	3,750	6
Vermont	*25% Federal Tax Liability*			N/A
Virginia	2.0 - 5.75	3,000	17,000	4
Washington	*No State Income Tax*			N/A
West Virginia	3.0 - 6.5	10,000	60,000	5
Wisconsin	4.9 - 6.93	7,500	15,000	3
Wyoming	*No State Income Tax*			N/A
Federal	**15.0 - 39.6**	**22,100**	**250,000**	**5**

* Rates apply to unmarried individuals

SOURCE: *Federation of Tax Administrators, January 1996*

Appendix B

Comparison of Sales Tax Rates
January 1996

		Exemptions		
State	**Rate (%)**	**Food**	**Prescription Drugs**	**Nonprescription Drugs**
Alabama	4.0	No	Yes	No
ALASKA		***No State Sales Tax***		
Arizona	5.0	Yes	Yes	No
Arkansas	4.5	No	Yes	No
California	6.0	Yes	Yes	No
Colorado	3.0	Yes	Yes	No
Connecticut	6.0	Yes	Yes	No
Delaware		*No State Sales Tax*		
Florida	6.0	Yes	Yes	Yes
Georgia	4.0	No	Yes	No
Hawaii	4.0	No	Yes	No
Idaho	5.0	No	Yes	No
Illinois	6.25	1%	1%	1%
Indiana	5.0	Yes	Yes	No
Iowa	5.0	Yes	Yes	No
Kansas	4.9	No	Yes	No
Kentucky	6.0	Yes	Yes	No
Louisiana	4.0	No	Yes	No
Maine	6.0	Yes	Yes	No
Maryland	5.0	Yes	Yes	Yes
Massachusetts	5.0	Yes	Yes	No
Michigan	6.0	Yes	Yes	No
Minnesota	6.5	Yes	Yes	Yes
Mississippi	7.0	No	Yes	No
Missouri	4.225	No	Yes	No
Montana		*No State Sales Tax*		
Nebraska	5.0	Yes	Yes	No
Nevada	6.5	Yes	Yes	No
New Hampshire		*No State Sales Tax*		
New Jersey	6.0	Yes	Yes	Yes
New Mexico	5.0	No	No	No
New York	4.0	Yes	Yes	Yes
North Carolina	4.0	No	Yes	No
North Dakota	5.0	Yes	Yes	No
Ohio	5.0	Yes	Yes	No
Oklahoma	4.5	No	Yes	No
Oregon		*No State Sales Tax*		
Pennslyvania	6.0	Yes	Yes	Yes
Rhode Island	7.0	Yes	Yes	Yes
South Carolina	5.0	No	Yes	No
South Dakota	4.0	No	Yes	No
Tennesee	6.0	No	Yes	No
Texas	6.25	Yes	Yes	No
Utah	4.875	No	Yes	No
Vermont	5.0	Yes	Yes	No
Virginia	3.5	No	Yes	No
Washington	6.5	Yes	Yes	No
West Virginia	6.0	No	Yes	No
Wisconsin	5.0	Yes	Yes	No
Wyoming	4.0	No	Yes	No

SOURCE: *Federation of Tax-Administrators, January 1996*